



## 96TH GENERAL ASSEMBLY

### State of Illinois

2009 and 2010

SB2109

Introduced 2/20/2009, by Sen. Michael Bond

#### SYNOPSIS AS INTRODUCED:

New Act

35 ILCS 5/203

from Ch. 120, par. 2-203

35 ILCS 5/218 new

Creates the Advanced Science Zones Act. Sets forth procedures for the Department of Commerce and Economic Opportunity to certify areas in the State as Advanced Science Zones. Sets forth procedures for the administration of the Zones. Requires the Department to establish several programs with respect to the Zones including a loan program, a financial-assistance program, a transferable investment tax credit, and a tax-deduction certification. Contains other provisions. Amends the Illinois Income Tax Act to make corresponding changes concerning the tax credits and deductions. Effective immediately.

LRB096 11455 HLH 21932 b

FISCAL NOTE ACT  
MAY APPLY

HOME RULE NOTE  
ACT MAY APPLY

HOUSING  
AFFORDABILITY  
IMPACT NOTE ACT  
MAY APPLY

STATE MANDATES  
ACT MAY REQUIRE  
REIMBURSEMENT

1 AN ACT concerning State government.

2 **Be it enacted by the People of the State of Illinois,**  
3 **represented in the General Assembly:**

4 Section 1. Short title. This Act may be cited as the  
5 Advanced Sciences Zone Act.

6 Section 2. Legislative intent and policy. The General  
7 Assembly finds and declares that the health, safety, and  
8 welfare of the people of this State are dependent upon the  
9 advancement of the medical science and technology; that the  
10 continual encouragement, development, growth, and expansion of  
11 the advanced science sector within the State requires a  
12 cooperative and continuous partnership between government and  
13 the advanced-sciences sector; and that there are certain areas  
14 in this State that need the particular attention of government,  
15 business, advanced sciences, and the citizens of Illinois to  
16 help attract investments in the advanced sciences for these  
17 areas, to directly aid the local community and its residents,  
18 and to expand the body of fundamental knowledge. Therefore, it  
19 is declared to be the purpose of this Act to explore ways and  
20 means of stimulating growth, stabilization, and retention of  
21 advanced sciences in the State by means of relaxed government  
22 controls and tax incentives in those areas.

1 Section 3. Definitions. As used in this Act:

2 "Advanced Sciences" includes the research, development, or  
3 production in the fields of biotechnology, alternative fuels,  
4 pharmaceutical, photonics, aerospace, software, environmental  
5 sources, advanced computing, advanced materials, medical  
6 device technology, health sciences, semiconductors,  
7 nanotechnology, and biomedicine and any businesses that  
8 support those technologies.

9 "Advanced-Sciences facility" means one or more facilities  
10 involved in:

11 (1) researching, developing, or manufacturing an  
12 advanced-science product or service or a related product or  
13 service; or

14 (2) promoting, supplying, or servicing a facility  
15 involved in item (1), if the business derives more than 50%  
16 of its gross receipts from those activities.

17 "Advanced Sciences Zone" means an area of the State  
18 certified by the Department as an Advanced Sciences Zone under  
19 to this Act.

20 "Department" means the Department of Commerce and Economic  
21 Opportunity.

22 "Designated Zone Organization" means an association or  
23 entity:

24 (1) the members of which are residents of the Advanced  
25 Sciences Zone;

26 (2) the board of directors of which is elected by the

1 members of the organization;

2 (3) that satisfies the criteria set forth in Section  
3 501(c) (3) or 501(c) (4) of the Internal Revenue Code; and

4 (4) that exists primarily for the purpose of performing  
5 within such area or zone for the benefit of the residents  
6 and businesses thereof any of the functions set forth in  
7 Section 8 of this Act.

8 "Qualified business" means a person carrying on a trade or  
9 business at an advanced sciences facility located within an  
10 advanced sciences zone. A person is a qualified business only  
11 on those parcels of land for which it has entered into a  
12 business-subsidy agreement, as required under this Act, with  
13 the appropriate local government unit in which the parcels are  
14 located; and

15 A person is a qualified business only if the person offers  
16 employer-sponsored medical insurance for all employees and  
17 pays its employees that work a minimum of 30 hours per week  
18 within the State a median annual wage equal to or greater than  
19 125% of the average annual wage paid to employees in the State.

20 A person that relocates an advanced-sciences facility from  
21 outside an advanced sciences zone into a zone is not a  
22 qualified business, unless the business:

23 (A) (i) increases full-time employment in the first  
24 full year of operation within the biotechnology and  
25 health sciences industry zone by at least 20 percent  
26 measured relative to the operations that were

1 relocated and maintains the required level of  
2 employment for each year the zone designation applies;  
3 or (ii) makes a capital investment in the property  
4 located within a zone equivalent to ten percent of the  
5 gross revenues of operation that were relocated in the  
6 immediately preceding taxable year; and

7 (B) enters a binding written agreement with the  
8 Department that: (i) pledges the business will meet the  
9 requirements of (b) (1); (ii) provides for repayment of  
10 all tax benefits enumerated in this Act to the business  
11 under the procedures this Act, if the requirements of  
12 (b) (1) are not met; and (iii) contains any other terms  
13 the commissioner determines appropriate.

14 "Person" includes an individual, corporation, partnership,  
15 limited liability company, association, or any other entity.

16 Section 4. Qualifications for Advanced Sciences Zones.

17 An area is qualified to become an Advanced Sciences Zone if  
18 it:

19 (1) is a contiguous area, but a zone area may exclude  
20 wholly surrounded territory within its boundaries;

21 (2) comprises a minimum of 0.5 square miles and not more  
22 than 12 square miles; and

23 (3) satisfies any additional criteria established by rule  
24 of the Department that are consistent with the purposes of this  
25 Act.

1           Section 5. Initiation of Advanced Sciences Zones by a  
2 municipality or county.

3           (a) No area may be designated as an Advanced Sciences Zone  
4 except pursuant to an initiating ordinance adopted in  
5 accordance with this Section.

6           (b) A county or municipality may, by ordinance, designate  
7 an area within its jurisdiction as an Advanced Sciences Zone,  
8 subject to the certification of the Department in accordance  
9 with this Act, if:

10           (1) the area is qualified in accordance with Section 4;  
11           and

12           (2) the county or municipality has conducted at least  
13 one public hearing within the proposed zone area on the  
14 question of whether to create the zone, what local plans,  
15 tax incentives, and other programs should be established in  
16 connection with the zone, and what the boundaries of the  
17 zone should be; public notice of the hearing must be  
18 published in at least one newspaper of general circulation  
19 within the zone area, not more than 20 days nor less than 5  
20 days before the hearing.

21           (c) An ordinance designating an area as an Advanced  
22 Sciences Zone must set forth:

23           (1) a precise description of the area comprising the  
24 zone, either in the form of a legal description or by  
25 reference to roadways, lakes and waterways, and township,

1 county boundaries;

2 (2) a finding that the zone area meets the  
3 qualifications of Section 4;

4 (3) provisions for any tax incentives or reimbursement  
5 for taxes, which, pursuant to State and federal law, apply  
6 to businesses within the zone at the election of the  
7 designating county or municipality, and that do not apply  
8 generally throughout the county or municipality;

9 (4) a designation of the area as an Advanced Sciences  
10 zone, subject to the approval of the Department in  
11 accordance with this Act; and

12 (5) the duration or term of the Advanced Sciences Zone.

13 (d) This Section does not prohibit a municipality or county  
14 from extending additional tax incentives or reimbursement for  
15 businesses in Advanced Sciences Zones or throughout their  
16 territory by separate ordinance.

17 (e) No county or municipality located within the Metro East  
18 Mass Transit District that adopts an ordinance designating an  
19 area within the District as an Advanced Sciences Zone may  
20 provide for any exemption, deduction, credit, refund or  
21 abatement of any taxes imposed by the Metro East Mass Transit  
22 District Board of Trustees under Section 5.01 of the Local Mass  
23 Transit District Act.

24 (f) The Department shall encourage applications from all  
25 areas of the State and shall actively solicit applications from  
26 those counties with populations of less than 300,000.

1           Section 5.1. Application to the Department. A county or  
2 municipality that has adopted an ordinance designating an area  
3 as an Advanced Sciences Zone must make written application to  
4 the Department to have the proposed Advanced Sciences Zone  
5 certified by the Department as an Advanced Sciences Zone. The  
6 application must include:

7           (a) a certified copy of the ordinance designating the  
8 proposed zone;

9           (b) a map of the proposed Advanced Sciences Zone, showing  
10 existing streets and highways, the total area, and present use  
11 and conditions generally of the land and structures within  
12 those boundaries;

13           (c) evidence of community support and commitment from local  
14 government, local workforce investment boards, school  
15 districts, and other education institutions, business groups,  
16 and the public;

17           (d) an analysis, and any appropriate supporting documents  
18 and statistics, demonstrating that the proposed zone area is  
19 qualified in accordance with Section 4;

20           (e) a statement detailing any tax, grant, and other  
21 financial incentives or benefits and any programs, to be  
22 provided by the municipality or county to businesses within the  
23 zone, other than those provided in the designating ordinance,  
24 that are not provided generally throughout the municipality or  
25 county;

1 (f) a statement setting forth the economic development and  
2 planning objectives for the zone, including a description of  
3 the methods proposed to increase economic opportunity and  
4 expansion, facilitate infrastructure improvement, reduce the  
5 local regulatory burden, and identify job-training  
6 opportunities;

7 (g) a statement describing the functions, programs, and  
8 services to be performed by designated zone organizations  
9 within the zone;

10 (h) an estimate of the economic impact of the zone,  
11 considering all of the tax incentives, financial benefits, and  
12 programs contemplated, upon the revenues of the municipality or  
13 county;

14 (i) a transcript of all public hearings on the zone;

15 (j) in the case of a joint application, a statement  
16 detailing the need for a zone covering portions of more than  
17 one municipality or county and a description of the agreement  
18 between the joint applicants; and

19 (k) any additional information as the Department, by rule,  
20 may require.

21 Section 5.2. Department review of Advanced Sciences Zone  
22 applications.

23 (a) All applications that are to be considered and acted  
24 upon by the Department during a calendar year must be received  
25 by the Department no later than December 31 of the preceding

1 calendar year. Any application received on or after January 1  
2 of any calendar year must be held by the Department for  
3 consideration and action during the following calendar year.

4 (b) Upon receipt of an application from a county or  
5 municipality, the Department shall review the application to  
6 determine whether the designated area qualifies as an Advanced  
7 Sciences zone under Section 4 of this Act.

8 (c) No later than May 1, the Department shall notify all  
9 applicants of the Department's determination of the  
10 qualification of their respective designated Advanced Sciences  
11 Zone areas.

12 (d) If any such designated area is found to be qualified to  
13 be an Advanced Sciences Zone, the Department shall, no later  
14 than May 15, publish a notice in at least one newspaper of  
15 general circulation within the proposed zone area to notify the  
16 general public of the application and their opportunity to  
17 comment. The notice must include a description of the area and  
18 a brief summary of the application and must indicate locations  
19 where the applicant has provided copies of the application for  
20 public inspection. The notice must also indicate appropriate  
21 procedures for the filing of written comments from zone  
22 residents, business, civic, and other organizations and  
23 property owners to the Department.

24 (e) By July 1 of each calendar year, the Department shall  
25 either approve or deny all applications filed by December 31 of  
26 the preceding calendar year. If approval of an application

1 filed by December 31 of any calendar year is not received by  
2 July 1 of the following calendar year, the application is  
3 denied. If an application is denied, then the Department shall  
4 inform the county or municipality of the specific reasons for  
5 the denial.

6 (f) Preference in Designation. In determining which  
7 designated areas are approved and certified as Advanced  
8 Sciences Zones, the Department shall give preference to:

9 (1) Areas that have the widest support from the county  
10 or municipality seeking to have such areas designated as  
11 Advanced Sciences Zones, community residents, local  
12 business, labor, and neighborhood organizations and where  
13 there are plans for the disposal of publicly owned real  
14 property as described in Section 10;

15 (2) Areas for which a specific plan has been submitted  
16 to effect economic growth and expansion and neighborhood  
17 revitalization for the benefit of Zone residents and  
18 existing business through efforts that may include, but  
19 need not be limited to, a reduction of tax rates or fees,  
20 an increase in the level and efficiency of local services,  
21 and a simplification or streamlining of governmental  
22 requirements applicable to employers or employees, taking  
23 into account the resources available to the county or  
24 municipality seeking to have an area designated as an  
25 Advanced Sciences Zone to make such efforts;

26 (3) Areas for which there is evidence of prior

1 consultation between the county or municipality seeking  
2 designation of an area as an Advanced Sciences Zone and  
3 business, labor, and neighborhood organizations within the  
4 proposed Zone;

5 (4) Areas for which a specific plan has been submitted  
6 that will or may be expected to benefit zone residents and  
7 workers by increasing their ownership opportunities and  
8 participation in Advanced Sciences Zone development; and

9 (5) Areas in which specific governmental functions are  
10 to be performed by designated neighborhood organizations  
11 in partnership with the county or municipality seeking  
12 designation of an area as an Advanced Sciences Zone.

13 Section 5.3. Certification of Advanced Sciences Zones;  
14 effective date.

15 (a) The Approval of designated Advanced Sciences Zones must  
16 be made by the Department by certification of the designating  
17 ordinance. The Department shall promptly issue a certificate  
18 for each Advanced Sciences Zone upon its approval. The  
19 certificate must be signed by the Director, must make specific  
20 reference to the designating ordinance, which must be attached  
21 thereto, and must be filed in the office of the Secretary of  
22 State. A certified copy, or duplicate original, of the Advanced  
23 Sciences Zone Certificate must be recorded in the office of  
24 recorder of deeds of the county in which the Advanced Sciences  
25 Zone lies.

1 (b) An Advanced Sciences Zone is be effective upon its  
2 certification. The Department shall transmit a copy of the  
3 certification to the Department of Revenue. Upon certification  
4 of an Advanced Sciences Zone, the terms and provisions of the  
5 designating ordinance are in effect, and may not be amended or  
6 repealed except in accordance with Section 9.

7 (c) An Advanced Sciences Zone shall remain in effect for 30  
8 calendar years, or for a lesser number of years specified in  
9 the certified designating ordinance. An Advanced Sciences Zone  
10 terminates at midnight of December 31 of the final calendar  
11 year of the certified term, except as provided in Section 9.

12 Section 5.4. Amendment and decertification of Advanced  
13 Sciences Zones.

14 (a) The terms of a certified Advanced Sciences Zone  
15 designating ordinance may be amended to:

16 (1) alter the boundaries of the Advanced Sciences Zone;

17 (2) expand, limit, or repeal tax incentives or benefits  
18 provided in the ordinance;

19 (3) alter the termination date of the zone;

20 (4) make technical corrections in the Advanced  
21 Sciences Zone designating ordinance, but such an amendment  
22 is not effective unless the Department issues an amended  
23 certificate for the Advanced Sciences Zone, approving the  
24 amended designating ordinance. Upon the adoption of any  
25 ordinance amending or repealing the terms of a certified

1 Advanced Sciences Zone designating ordinance, the  
2 municipality or county shall promptly file, with the  
3 Department, an application for approval thereof,  
4 containing substantially the same information as required  
5 for an application under Section 6 insofar as material to  
6 the proposed changes. The municipality or county must hold  
7 a public hearing on the proposed changes as specified in  
8 Section 5 and, if the amendment is to limit tax abatements  
9 under Section 5.4.1, then the public notice of the hearing  
10 must state that property that is in both the Advanced  
11 Sciences Zone and a redevelopment project area may not  
12 receive tax abatements unless, within 60 days after the  
13 adoption of the amendment to the designating ordinance, the  
14 municipality has determined that eligibility for tax  
15 abatements has been established;

16 (5) include an area within another municipality or  
17 county as part of the designated Advanced Sciences Zone if  
18 the requirements of Section 4 are complied with; or

19 (6) limit tax abatements under Section 5.4.1.

20 (b) The Department shall approve or disapprove a proposed  
21 amendment to a certified Advanced Sciences Zone within 90 days  
22 after its receipt of the application from the municipality or  
23 county. The Department may not approve changes in a Zone that  
24 are not in conformity with this Act or with other applicable  
25 laws. If the Department issues an amended certificate for an  
26 Advanced Sciences Zone, then the amended certificate, together

1 with the amended zone designating ordinance, must be filed,  
2 recorded, and transmitted as provided in Section 8.

3 (c) An Advanced Sciences Zone may be decertified by joint  
4 action of the Department and the designating county or  
5 municipality in accordance with this Section. The designating  
6 county or municipality shall conduct at least one public  
7 hearing within the zone prior to its adoption of an ordinance  
8 of decertification. The mayor of the designating municipality  
9 or the chairman of the county board of the designating county  
10 shall execute a joint decertification agreement with the  
11 Department. A decertification of an Advanced Sciences Zone is  
12 effective until at least 6 months after the execution of the  
13 decertification agreement, which must be filed in the office of  
14 the Secretary of State.

15 (d) An Advanced Sciences Zone may be decertified for cause  
16 by the Department in accordance with this Section. Prior to  
17 decertification:

18 (1) the Department shall notify the chief elected  
19 official of the designating county or municipality in  
20 writing of the specific deficiencies that provide cause for  
21 decertification;

22 (2) the Department shall place the designating county  
23 or municipality on probationary status for at least 6  
24 months, during which time corrective action may be achieved  
25 in the Advanced Sciences Zone by the designating county or  
26 municipality; and

1           (3) the Department shall conduct at least one public  
2           hearing within the zone.

3           If such corrective action is not achieved during the  
4           probationary period, the Department shall issue an amended  
5           certificate signed by the Director decertifying the Advanced  
6           Sciences Zone, which must be filed in the office of the  
7           Secretary of State. A certified copy, or duplicate original, of  
8           the amended Advanced Sciences Zone certificate must be recorded  
9           in the office of recorder of the county in which the Advanced  
10          Sciences Zone lies and must be provided to the chief elected  
11          official of the designating county or municipality. The  
12          decertification of an Advanced Sciences Zone does not become  
13          effective until 60 days after the date of filing.

14          (e) In the event of a decertification, or an amendment  
15          reducing the length of the term or the area of an Advanced  
16          Sciences Zone or the adoption of an ordinance reducing or  
17          eliminating tax benefits in an Advanced Sciences Zone, all  
18          benefits previously extended within the Zone under this Act or  
19          under any other Illinois law providing benefits specifically to  
20          or within Advanced Sciences Zones remain in effect for the  
21          original stated term of the Advanced Sciences Zone, with  
22          respect to advanced-sciences business within the Zone on the  
23          effective date of such decertification or amendment, and with  
24          respect to individuals participating in urban homestead  
25          programs under this Act.

26          (f) Except as otherwise provided in Section 5.4.1, with

1 respect to business Advanced Sciences (or expansions thereof)  
2 that are proposed or under development within a Zone at the  
3 time of a decertification or an amendment reducing the length  
4 of the term of the Zone, or excluding from the Zone area the  
5 site of the proposed business, or an ordinance reducing or  
6 eliminating tax benefits in a Zone, are entitled to the  
7 benefits previously applicable within the Zone for the original  
8 stated term of the Zone, if the business establishes:

9 (1) that the proposed business or expansion has been  
10 committed to be located within the Zone;

11 (2) that substantial and binding financial obligations  
12 have been made towards the development of the business  
13 within the Zone; and

14 (3) that these commitments have been made in reasonable  
15 reliance on the benefits and programs that were to have  
16 applied to the business by reason of the Zone, including,  
17 in the case of a reduction in term of a zone, the original  
18 length of the term.

19 In declaratory judgment actions under this subsection (f),  
20 the Department and the designating municipality or county are  
21 necessary parties.

22 Section 5.4.1. Adoption of tax increment financing.

23 (a) If (i) a redevelopment project area is, will be, or has  
24 been created by a municipality under Division 74.4 of the  
25 Illinois Municipal Code, (ii) the redevelopment project area

1 contains property that is located in an Advanced Sciences Zone,  
2 (iii) the municipality adopts an amendment to the Advanced  
3 Sciences zone designating ordinance pursuant to Section 5.4 of  
4 this Act specifically concerning the abatement of taxes on  
5 property located within a redevelopment project area created  
6 pursuant to Division 74.4 of the Illinois Municipal Code, and  
7 (iv) the Department certifies the ordinance amendment, then the  
8 property that is located in both the Advanced Sciences Zone and  
9 the redevelopment project area is not eligible for the  
10 abatement of taxes under Section 18-170 of the Property Tax  
11 Code.

12 No business or expansion or individual, however, that has  
13 constructed a new improvement or renovated or rehabilitated an  
14 existing improvement and has received an abatement on the  
15 improvement under Section 18-170 of the Property Tax Code may  
16 be denied any benefit previously extended within the zone under  
17 this Act or under any other Illinois law providing benefits  
18 specifically to or within Advanced Sciences Zones. Moreover, if  
19 the business or individual presents evidence to the  
20 municipality, within 30 days after the adoption by the  
21 municipality of an amendment to the designating ordinance, the  
22 sufficiency of which must be determined by findings of the  
23 corporate authorities made within 30 days after the receipt of  
24 such evidence by the municipality, that before the date of the  
25 notice of the public hearing provided by the municipality  
26 regarding the amendment to the designating ordinance (i) the

1 business or expansion or individual was committed to locate  
2 within the Advanced Sciences Zone, (ii) substantial and binding  
3 financial obligations were made towards the development of the  
4 business, and (iii) those commitments were made in reasonable  
5 reliance on the benefits and programs that were applicable to  
6 the business or individual by reason of the Advanced Sciences  
7 Zone, then the business or expansion or individual may not be  
8 denied any benefit previously extended within the zone under  
9 this Act or under any other Illinois law providing benefits  
10 specifically to or within Advanced Sciences zones.

11 (b) This Section applies to all property located within  
12 both a redevelopment project area adopted under Division 74.4  
13 of the Illinois Municipal Code and an Advanced Sciences Zone  
14 even if the redevelopment project area was adopted before the  
15 effective date of this Act.

16 (c) In declaratory judgment actions under this Section, the  
17 Department and the designating municipality are necessary  
18 parties.

19 Section 6. Powers and duties of the Department.

20 The Department shall administer this Act and has the  
21 following powers and duties:

22 (1) To monitor the implementation of this Act and  
23 submit reports evaluating the effectiveness of the program  
24 and any suggestions for legislation to the Governor and  
25 General Assembly by October 1 of every year preceding a

1 regular Session of the General Assembly and to annually  
2 report to the General Assembly initial and current  
3 population, employment, per capita income, number of  
4 business establishments, and dollar value of new  
5 construction and improvements for each Advanced Sciences  
6 Zone.

7 (2) To adopt all necessary rules to carry out the  
8 purposes of this Act in accordance with The Illinois  
9 Administrative Procedure Act.

10 (3) To assist municipalities and counties in obtaining  
11 federal status as an Advanced Sciences Zone.

12 Section 7. State incentives regarding public services and  
13 physical infrastructure.

14 (a) This Act does not restrict tax-incentive financing  
15 pursuant to the Tax Increment Allocation Redevelopment Act.

16 (b) Priority in the use of industrial-development bonds  
17 issued by the Illinois Finance Authority must be given to  
18 businesses located in an Advanced Sciences Zone.

19 (c) The State Treasurer is authorized and encouraged to  
20 place deposits of State funds with financial institutions doing  
21 business in an Advanced Sciences Zone.

22 Section 8. Zone administration. The administration of an  
23 Advanced Sciences Zone is under the jurisdiction of the  
24 designating municipality or county. Each designating

1 municipality or county shall, by ordinance, designate a Zone  
2 Administrator for the certified zones within its jurisdiction.  
3 A Zone Administrator must be an officer or employee of the  
4 municipality or county. The Zone Administrator is the liaison  
5 between the designating municipality or county, the  
6 Department, and any designated zone organizations within zones  
7 under his or her jurisdiction.

8 A designating municipality or county may designate one or  
9 more organizations qualified under subsection (d) of Section 3  
10 to be designated zone organizations for purposes of this Act.  
11 The municipality or county may, by ordinance, delegate  
12 functions within an Advanced Sciences Zone to one or more  
13 designated zone organizations in the zones.

14 Subject to the necessary governmental authorizations,  
15 designated zone organizations may provide the following  
16 services or perform the following functions in coordination  
17 with the municipality or county:

18 (a) Provide or contract for provision of public services  
19 including, but not limited to:

20 (1) establishment of crime watch patrols within zone  
21 neighborhoods;

22 (2) establishment of volunteer day care centers;

23 (3) organization of recreational activities for zone  
24 area youth;

25 (4) garbage collection;

26 (5) street maintenance and improvements;

- 1           (6) bridge maintenance and improvements;
- 2           (7) maintenance and improvement of water and sewer
- 3           lines;
- 4           (8) energy conservation projects;
- 5           (9) health and clinic services;
- 6           (10) drug abuse programs;
- 7           (11) senior citizen assistance programs;
- 8           (12) park maintenance;
- 9           (13) rehabilitation, renovation, and operation and
- 10          maintenance of low and moderate income housing; and
- 11          (14) other types of public services as provided by law
- 12          or regulation.

13          (b) Exercise authority for the enforcement of any code,

14          permit, or licensing procedure within an Advanced Sciences

15          Zone.

16          (c) Provide a forum for business, labor, and government

17          action on zone innovations.

18          (d) Apply for regulatory relief as provided in Section 8 of

19          this Act.

20          (e) Receive title to publicly owned land.

21          (f) Perform any other functions that the responsible

22          government entity may deem appropriate, including offerings

23          and contracts for insurance with businesses within the Zone.

24          (g) Agree with local governments to provide any public

25          services within the zones by contracting with private firms and

26          organizations, where feasible and prudent.

1           (h) Solicit and receive contributions to improve the  
2 quality of life in the Advanced Sciences Zone.

3           Section 11. Income tax deduction

4           (a) A taxpayer may receive a deduction against income  
5 subject to State taxes for a contribution to a designated zone  
6 organization if the project for which the contribution is made  
7 has been specifically approved by the designating municipality  
8 or county and by the Department.

9           (b) Any designated zone organization seeking to have a  
10 project approved for contribution must submit an application to  
11 the Department describing the nature and benefit of the project  
12 and its potential contributors. The application must address  
13 how the following criteria will be met:

14           (1) The project must contribute to the self-help  
15 efforts of the residents of the area involved.

16           (2) The project must involve the residents of the area  
17 in planning and implement the project.

18           (3) The project's lack of sufficient resources.

19           (4) The designated zone organization must be fiscally  
20 responsible for the project.

21           (c) The project must enhance the Advanced Sciences Zone in  
22 one of the following ways:

23           (1) by creating permanent jobs;

24           (2) by physically improving the housing stock;

25           (3) stimulating neighborhood business activity; or

1           (4) by preventing crime.

2           (d) If the designated zone organization demonstrates its  
3 ability to meet the criteria in subsection (b), and will  
4 enhance the neighborhood in one or more of the ways listed in  
5 subsection (c), then the Department shall approve the  
6 organization's proposed projects and specify the amount of  
7 contributions that it is eligible to receive for the project.  
8 Comments from State elected officials and county and municipal  
9 officials in which all or part of the Advanced Sciences Zone  
10 are located or in which the project is proposed to be located  
11 must be solicited by the Department in making its decision.

12           (e) Within 45 days after the receipt of an application, the  
13 Department shall give notice to the applicant as to whether the  
14 application has been approved or disapproved. If the Department  
15 disapproves the application, then it shall specify the reasons  
16 for this decision and allow 60 days for the applicant to amend  
17 and resubmit its application. The Department shall provide  
18 assistance upon request to applicants. The Department must  
19 approve or disapprove resubmitted applications within 30 days  
20 after submission. Those resubmitted applications satisfying  
21 initial Department objectives must be approved unless  
22 reasonable circumstances warrant disapproval.

23           (f) On an annual basis, the designated zone organization  
24 shall furnish a statement to the Department on the programmatic  
25 and financial status of any approved project and an audited  
26 financial statement of the project.

1           (g) For any project that is approved and for which there is  
2 a specified amount of contributions that the designated Zone  
3 Organization may receive for approved project as provided in  
4 subsection (d) of this Section, the designated zone  
5 organization shall provide to the Department any information  
6 necessary to determine the eligibility of a contribution to the  
7 project for a deduction under Section 203 of the Illinois  
8 Income Tax Act. The Department shall certify to the Department  
9 of Revenue the taxpayers eligible for and the amounts of  
10 contributions which those taxpayers may claim as a deduction  
11 under Section 203 of the Illinois Income Tax Act. The total of  
12 all actual contributions approved by the Department for  
13 deductions under this Section may not exceed \$15,400,000 in any  
14 one calendar year.

15           Section 11.1. Notification of business cessation. Any  
16 business located within the Advanced Sciences Zone that has  
17 received tax credits or exemptions, regulatory relief, or any  
18 other benefits under this Act shall notify the Department and  
19 the county and municipal officials in which the Advanced  
20 Sciences Zone is located within 60 days after the cessation of  
21 any business operations conducted within the Advanced Sciences  
22 Zone.

23           Section 12-1. Sections 12-1 through 12-10 of this Act may  
24 be cited as the Advanced Sciences Zone Loan Law.

1           Section 12-2. Definitions. Unless the context clearly  
2 requires otherwise:

3           "Financial institution" means a trust company, a bank, a  
4 savings bank, a credit union, an investment bank, a broker, an  
5 investment trust, a pension fund, a building and loan  
6 association, a savings and loan association, an insurance  
7 company, or any venture capital company that is authorized to  
8 do business in the State.

9           "Participating lender" means financial institution  
10 approved by the Department that assumes a portion of the  
11 financing for a business project.

12           "Business" means a for-profit, legal entity located in an  
13 Advanced Sciences Zone including, but not limited to, any sole  
14 proprietorship, partnership, corporation, joint venture,  
15 association, or cooperative.

16           "Loan" means an agreement or contract to provide a loan or  
17 other financial aid to a business.

18           "Project" means any specific economic development activity  
19 of a commercial, industrial, manufacturing, agricultural,  
20 scientific, service, or other business in an Advanced Sciences  
21 Zone, the result of which yields an increase in jobs and may  
22 include the purchase or lease of machinery and equipment, the  
23 lease or purchase of real property or funds for infrastructure  
24 necessitated by site preparation, building construction, or  
25 related purposes. "Project" does not include refinancing

1 current debt.

2 Section 12-3. Powers and duties. The Department has the  
3 power to:

4 (a) Provide loans from the funds appropriated to a business  
5 undertaking a project and accept mortgages or other evidences  
6 of indebtedness or security of such business.

7 (b) Enter into agreements, accept funds or grants, and  
8 cooperate with agencies of the federal government, local units  
9 of government, and local regional economic development  
10 corporations or organizations for the purposes of carrying out  
11 this Law.

12 (c) Enter into contracts, letters of credit, or any other  
13 agreements or contracts with financial institutions necessary  
14 or desirable to carry out the purposes of this Law. Any such  
15 agreement or contract may include, without limitation, terms  
16 and provisions relating to a specific project, such as loan  
17 documentation, review and approval procedures, organization  
18 and servicing rights, default conditions, and other program  
19 aspects.

20 (d) Fix, determine, charge, and collect any premiums, fees,  
21 charges, costs and expenses, including application fees,  
22 commitment fees, program fees, financing charges, or  
23 publication fees in connection with its activities under this  
24 Law.

25 (e) Establish application, notification, contract, and

1 other procedures, rules, or regulations deemed necessary and  
2 appropriate.

3 (f) Subject to the provisions of any contract with another  
4 person and consent to the modification or restructuring of any  
5 loan agreement to which the Department is a party.

6 (g) Take any actions that are necessary or appropriate to  
7 protect the State's interest in the event of bankruptcy,  
8 default, foreclosure, or noncompliance with the terms and  
9 conditions of financial assistance or participation provided  
10 under this Act, including the power to sell, dispose, lease, or  
11 rent, upon terms and conditions determined by the Director to  
12 be appropriate, real or personal property that the Department  
13 may receive as a result thereof.

14 (h) Acquire and accept by gift, grant, purchase, or  
15 otherwise, but not by condemnation, fee simple title, or such  
16 lesser interest as may be desired, in land, to improve or  
17 arrange for the improvement of that land for industrial or  
18 commercial site development purposes, and to lease or convey  
19 such land or interest in land so acquired and so improved,  
20 including sale and conveyance subject to a mortgage, for such  
21 price, upon such terms, and at such time as the Department may  
22 determine. Prior to exercising his or her authority under this  
23 subsection, the Director must find that other means of  
24 financing and developing any such project are not reasonably  
25 available and that such action is consistent with the purposes  
26 and policies of this Law.

1           (i) Exercise such other powers as are necessary or  
2 incidental to the foregoing.

3           Section 12-4. Loans. Any loan made under this Law:

4           (a) may be made only if a participating lender, or other  
5 funding source including the applicant, also provides a portion  
6 of the financing with respect to the project and only if the  
7 Department determines, on the basis of all the information  
8 available to it, that the project would not be undertaken in  
9 Illinois unless the loan is provided. Financing from another  
10 funding source may be in the form of a loan, letter of credit,  
11 guarantee, loan participation, bond purchase, direct cash  
12 payment or other form approved by the Department.

13           (b) may finance no more than 25% of the total amount of any  
14 single project and may only be approved for amounts not to  
15 exceed \$2,000,000 for any single project, unless waived by the  
16 Director upon a finding that a waiver is appropriate to  
17 accomplish the purposes of this Law.

18           (c) must be protected by adequate security satisfactory to  
19 the Department to secure payment of the loan agreement.

20           (d) must be in any principal amount and form and contain  
21 any terms and provisions with respect to property insurance,  
22 repairs, alterations, payment of taxes and assessments,  
23 delinquency charges, default remedies, additional security,  
24 and other matters that the Department determines is adequate to  
25 protect the public interest.

1           (e) must include provisions to call the loan agreement as  
2 due and payable if the project is not completed, if the project  
3 fails to generate anticipated employment opportunities, or if  
4 the business ceases to operate the project.

5           (f) may be made only after the Department has determined  
6 that the loan will cause a project to be undertaken that has  
7 the potential to create substantial employment in relation to  
8 the principal amount of the loan.

9           (g) may be made only with a business that has certified the  
10 project is a new plant start-up or expansion and is not a  
11 relocation of an existing business from another site in  
12 Illinois unless that relocation results in substantial  
13 employment growth.

14           Section 12-5. Loan applications. Applications for loans  
15 must be submitted to the Department on forms and subject to  
16 filing fees prescribed by the Department. The Department is not  
17 prohibited from soliciting such applications. The Department  
18 shall conduct any investigation and obtain any information  
19 concerning the business as is necessary and diligent to  
20 complete a loan agreement. The Department's investigation must  
21 include facts about the company's history, job opportunities,  
22 stability of employment, past and present condition and  
23 structure, actual and pro-forma income statements, present and  
24 future market prospects, management qualifications, and any  
25 other aspect material to the financing request.

1           After consideration of this information and after any other  
2 action that is deemed appropriate, the Department shall approve  
3 or deny the application. If the Department approves the  
4 application, its approval must specify the amount of funds to  
5 be provided and the loan agreement provisions. Department shall  
6 promptly notify the business of its approval or denial of the  
7 application.

8           Section 12-6. Advanced Sciences Zone Loan Fund.

9           (a) The Advanced Sciences Zone Loan Fund is created as a  
10 special fund in the State treasury. The Department is  
11 authorized to make loans from the Fund for the purposes  
12 established under this Law. The State Treasurer has custody of  
13 the Fund and may invest in securities constituting direct  
14 obligations of the United States Government, in obligations the  
15 principal of and interest on which are guaranteed by the United  
16 States Government, or in certificates of deposit of any State  
17 or national bank that are fully secured by obligations  
18 guaranteed as to principal and interest by the United States  
19 Government. The purpose of the Fund is to offer loans to  
20 finance firms considering the location of a proposed business  
21 in a certified Advanced Sciences Zone and to provide financing  
22 to carry out the purposes and provisions of paragraph (h) of  
23 Section 12-3 of this Law. This financing must be in the form of  
24 a loan, mortgage, or other debt instrument. All loans must be  
25 conditioned on the project receiving financing from

1 participating lenders or other sources. Loan proceeds must be  
2 available for project costs associated with an expansion of  
3 business capacity and employment, except for debt refinancing.  
4 New ventures shall be considered only if the entity is  
5 protected with adequate security with regard to its financing  
6 and operation. The limitations and conditions with respect to  
7 the use of this Fund do not apply in carrying out the purposes  
8 and provisions of paragraph (h) of Section 12-3 of this Law.

9 (b) Deposits in the Fund include, but are not limited to:

10 (1) All receipts, including principal and interest  
11 payments, royalties or other payments, from any loan made  
12 by the Department under this Law.

13 (2) All proceeds of assets of whatever nature received  
14 by the Department as a result of default and delinquency  
15 with respect to loans made under this Law, including  
16 proceeds from the sale, disposal, lease or rental of real  
17 or personal property which the Department may receive as a  
18 result thereof.

19 (3) Any appropriations, grants or gifts made to the  
20 Fund.

21 (4) Any income received from interest on investments of  
22 amounts from the Fund not currently needed to meet the  
23 obligations of the Fund.

24 Section 12-7. Construction. Nothing in this Law may be  
25 construed as creating any rights of a competitor of an approved

1 borrower or any applicant whose application is denied by the  
2 Department to challenge any application which is accepted by  
3 the Department and any loan or other agreement executed in  
4 connection therewith.

5 Section 12-8. Confidentiality. Any documentary materials  
6 or data made or received by any member, agent, or employee of  
7 the Department is deemed to be confidential and is not a public  
8 record to the extent that such materials or data consist of  
9 trade secrets, commercial, or financial information regarding  
10 the operation of any business conducted by an applicant for or  
11 recipient of any form of assistance under this Law or  
12 information regarding the competitive position of such  
13 business in a particular field of endeavor.

14 Section 12-9. Report. On January 1 of each year, the  
15 Department shall report on its operation of the Fund for the  
16 preceding fiscal year to the Governor and the General Assembly.

17 Section 12-10. Federal programs. The Department is  
18 authorized to accept and expend federal moneys pursuant to this  
19 Law except that terms and conditions hereunder that are  
20 inconsistent with or prohibited by the federal authorization  
21 under which such moneys are made available do apply with  
22 respect to the expenditure of such moneys.

1 Section 13. Advanced sciences investment tax credit.

2 (a) Any taxpayer primarily engaged in advanced sciences  
3 activities with an Advanced Sciences Zone that pays its  
4 employees that work a minimum of 30 hours per week within the  
5 State a median annual wage equal or greater than 125% of the  
6 average annual wage paid by all employers in the State to  
7 employees that work a minimum of 30 hours per week within the  
8 State and that provides benefits typical to the biotechnology  
9 industry, is allowed a credit of 10% of the cost or other basis  
10 for federal tax purposes of tangible personal property and  
11 other tangible property, including buildings and structural  
12 components of buildings acquired, constructed, reconstructed,  
13 or leased with situs in Illinois and principally used in  
14 advanced science activities after December 31, 2007.

15 For the purposes of this subsection:

16 "Principally engaged in advanced sciences activities"  
17 means the company's sales of advanced sciences products or  
18 costs related to the development of advanced  
19 sciences-products constitute at least 50% of its overall  
20 receipts or its overall costs respectively.

21 "Tangible personal property" and "other tangible  
22 property" includes buildings and structural components of  
23 buildings acquired, constructed, reconstructed, or leased  
24 with situs in Illinois and principally used in the  
25 production of advanced sciences products:

26 (1) is depreciable pursuant to 26 USC. Section 167,

- 1           (2) has a useful life of 4 years or more, and  
2           (3) is acquired by purchase as defined in 26 U.S.C.  
3           § 179(d), or  
4           (4) is acquired by lease based on the fair market  
5           value of the property at the inception of the lease  
6           times the portion of the depreciable life of the  
7           property represented by the term of the lease,  
8           excluding renewal options, for a term of twenty (20)  
9           years; and  
10          (5) does not include vehicles or furniture.

11          "Employees" means those that work a minimum of 30 hours  
12          per week within the State with benefits typical to the  
13          advanced sciences industry.

14          "Wages" means all remuneration paid for personal  
15          services, including commissions and bonuses and the cash  
16          value of all remuneration paid in any medium other than  
17          cash and all other remuneration which is defined as taxable  
18          wages by the Internal Revenue Service, as certified by the  
19          department of labor and training.

20          (b) Except as provided under subsection (c), if the amount  
21          of credit allowable for any taxable year is less than the  
22          amount of credit available to the taxpayer, then any amount of  
23          credit not used in the taxable year will be available the  
24          following year or years not to exceed 15 years and may be  
25          deducted from the taxpayer's tax for the year or years.

26          (c) The credit may be extended beyond 7 years only in a

1 year in which:

2 (1) The company maintains an average quarterly number  
3 of employees for each calendar year that is 9.5% greater  
4 than average quarter number of employees in the 4th year of  
5 the initial credit;

6 (2) The company's average quarterly median wage is not  
7 less than the company's average of its quarterly median  
8 wage for the 3 previous calendar years;

9 (3) The company pays its employees a median annual wage  
10 equal or greater than 125% of the average annual wage paid  
11 by all employers in the State. ; and

12 (4) The Department certifies to the Department of  
13 Revenue that the criteria in (1) - (3) have been met.

14 Unused credits after the 7th year are forfeited permanently  
15 if any of these wage and employment criteria are unmet after  
16 the 7th year.

17 The taxpayer may determine the order in which the credits  
18 generated in different tax years are used, provided that  
19 credits available for more than 7 years may not reduce current  
20 year liability by more than 75%.

21 Section 14. Advanced Sciences Zone Financial Assistance  
22 Program.

23 (a) The Department shall establish an Advanced Sciences  
24 Zone Financial Assistance Program to established a tax benefit  
25 certificate transfer program to allow persons in designated

1 Advanced Sciences Zones in this State with unused amounts of  
2 tax credits otherwise allowable that cannot be applied for the  
3 credit's tax year due to the limitations and unused net  
4 operating loss carryover, to surrender those tax benefits for  
5 use by other taxpayers in this State, provided that the  
6 taxpayer receiving the surrendered tax benefits is not  
7 affiliated with a corporation that is surrendering its tax  
8 benefits under the Program. For the purposes of this Section,  
9 the test of affiliation is whether the same entity directly or  
10 indirectly owns or controls 5% or more of the voting rights or  
11 5% or more of the value of all classes of stock of both the  
12 taxpayer receiving the benefits and a corporation that is  
13 surrendering the benefits. The tax benefits may be used on the  
14 tax returns to be filed by those taxpayers in exchange for  
15 private financial assistance to be provided by the corporate  
16 taxpayer that is the recipient of the tax benefit certificate  
17 to assist in the funding of costs incurred by the new or  
18 expanding emerging technology and biotechnology company.

19 (b) The Department, in cooperation with the Department of  
20 Revenue, shall review and approve applications by new or  
21 expanding advanced sciences entities in this State with unused  
22 but otherwise allowable carryover of research and development  
23 tax credits, and unused but otherwise allowable net operating  
24 loss carryover pursuant, to surrender those tax benefits in  
25 exchange for private financial assistance to be made by the  
26 business taxpayer that is the recipient of the corporation

1 business tax benefit certificate in an amount equal to at least  
2 75% of the amount of the surrendered tax benefit. Provided that  
3 the amount of the surrendered tax benefit for a surrendered  
4 research and development tax credit carryover is the amount of  
5 the credit, and provided that the amount of the surrendered tax  
6 benefit for a surrendered net operating loss carryover is the  
7 amount of the loss multiplied by the new or expanding advanced  
8 sciences company's anticipated allocation factor for the tax  
9 year in which the benefit is transferred and subsequently  
10 multiplied by the corporation business tax rate provided  
11 pursuant. The Department is authorized to approve the transfer  
12 of no more than \$50,000,000 each State fiscal year. If the  
13 total amount of transferable tax benefits requested to be  
14 surrendered by approved applicants exceeds \$50,000,000 for  
15 State fiscal year, the Department, in cooperation with the  
16 Department of Revenue, may not approve the transfer of more  
17 than \$50,000,000 for State fiscal and shall allocate the  
18 transfer of tax benefits by approved companies using the  
19 following method:

20 (1) an eligible applicant with \$250,000 or less of  
21 transferable tax benefits is authorized to surrender the  
22 entire amount of its transferable tax benefits;

23 (2) an eligible applicant with more than \$250,000 of  
24 transferable tax benefits is authorized to surrender a  
25 minimum of \$250,000 of its transferable tax benefits;

26 (3) an eligible applicant with more than \$250,000 of

1 transferable tax benefits that was approved to surrender  
2 tax benefits in the prior fiscal year is authorized to  
3 surrender a minimum of 50% of the transferable tax benefits  
4 surrendered in the prior fiscal year or \$250,000, whichever  
5 is greater, provided that the amount of transferable tax  
6 benefits authorized may not exceed the applicant's  
7 transferable tax benefits for the current fiscal year;

8 (4) an eligible applicant with more than \$250,000 is  
9 also authorized to surrender additional transferable tax  
10 benefits determined by multiplying the applicant's  
11 transferable tax benefits less the minimum transferable  
12 tax benefits that company is authorized to surrender under  
13 paragraph (2) or (3) of this subsection by a fraction, the  
14 numerator of which is the total amount of transferable tax  
15 benefits that the authority is authorized to approve less  
16 the total amount of transferable tax benefit approved under  
17 paragraphs (1), (2), (3), and (5) of this subsection and  
18 the denominator of which is the total amount of  
19 transferable tax benefits requested to be surrendered by  
20 all eligible applicants less the total amount of  
21 transferable tax benefits approved under paragraphs (1),  
22 (2), (3), and (5) of this subsection.

23 For purposes of this section transferable tax benefits  
24 include an eligible applicant's unused but otherwise allowable  
25 carryover of net operating losses multiplied by the applicant's  
26 anticipated allocation factor for the tax year in which the

1 benefit is transferred and subsequently multiplied by the  
2 corporation business tax rate as provided plus the total amount  
3 of the applicant's unused but otherwise allowable carryover of  
4 research and development tax credits. An eligible applicant's  
5 transferable tax benefits are limited to net operating losses  
6 and research and development tax credits that the applicant  
7 requests to surrender in its application to the authority and  
8 may not, in total, exceed the maximum amount of tax benefits  
9 that the applicant is eligible to surrender.

10 The maximum lifetime value of surrendered tax benefits that  
11 a corporation is permitted to surrender pursuant to the program  
12 is \$10,000,000.

13 Applications must be received on or before June 30 for each  
14 State fiscal year.

15 The private financial assistance shall be used to fund  
16 expenses incurred in connection with the operation of the new  
17 or expanding advanced sciences company in the State, including  
18 but not limited to the expenses of fixed assets, such as the  
19 construction and acquisition and development of real estate,  
20 materials, start-up, tenant fit-out, working capital,  
21 salaries, research and development expenditures, and any other  
22 expenses determined by the Department to be necessary to carry  
23 out the purposes of the Advanced Sciences Zone.

24 (c) The Department, in cooperation with the Department of  
25 Revenue, shall review and approve applications by taxpayers to  
26 acquire surrendered tax benefits approved pursuant to

1 subsection (b) of this Section, which must be issued in the  
2 form of business tax benefit transfer certificates, in exchange  
3 for private financial assistance to be made by the taxpayer in  
4 an amount equal to at least 75% of the amount of the  
5 surrendered tax benefit of an advanced sciences company in the  
6 State. A business tax benefit transfer certificate may not be  
7 issued unless the applicant certifies that, as of the date of  
8 the exchange of the business tax benefit certificate, it is  
9 operating as a new or expanding advanced sciences company and  
10 has no current intention to cease operating as a new or  
11 expanding advanced sciences company.

12 The private financial assistance shall assist in funding  
13 expenses incurred in connection with the operation of the new  
14 or advanced sciences company in the State, including but not  
15 limited to the expenses of fixed assets, such as the  
16 construction and acquisition and development of real estate,  
17 materials, start-up, tenant fit-out, working capital,  
18 salaries, research and development expenditures, and any other  
19 expenses determined by the Department to be necessary to carry  
20 out the purposes of the Advanced Sciences Zone Act.

21 (d) The Department shall coordinate the applications for  
22 surrender and acquisition of unused but otherwise allowable tax  
23 benefits pursuant to this Section in a manner that can best  
24 stimulate and encourage the extension of private financial  
25 assistance to new and expanding advanced sciences in this  
26 State. The applications shall be submitted and the authority

1 shall approve or disapprove the applications.

2 The Department shall develop criteria for the approval or  
3 disapproval of applications. Such criteria shall include, but  
4 need not be limited to, an evaluation of the advanced sciences  
5 company's actual or potential scientific and technological  
6 viability, a determination that the advanced sciences  
7 company's principal products or services are sufficiently  
8 innovative to provide a competitive advantage, a determination  
9 that the proposed financial assistance will result in  
10 significant growth in permanent, full-time employment in the  
11 State, a determination made by the authority that the advanced  
12 sciences company does not have sufficient resources to operate  
13 in the short term or cannot secure financial assistance from  
14 venture capital, stock issuance, product sales revenue, a  
15 parent corporation or other affiliates, bank or any other  
16 method of obtaining capital, and a determination that the  
17 financial assistance provided pursuant to this Act  
18 demonstrates the prospect of a significant positive change in  
19 the applicant's net income. The Department shall establish the  
20 weight of importance to be given each criterion used in its  
21 application approval process. No application shall be approved  
22 in which the advanced sciences company: (1) has demonstrated  
23 positive net income in any of the 3 previous 5 full years of  
24 ongoing operations as determined on its financial statements;  
25 (2) has demonstrated a ratio in excess of 110% or greater of  
26 operating revenues divided by operating expenses in any of the

1 3 previous 5 full years of operations as determined on its  
2 financial statements; or (3) is directly or indirectly at least  
3 a majority of the company is owned or controlled by another  
4 corporation that has demonstrated positive net income in any of  
5 the 3 previous 5 full years of ongoing operations as determined  
6 on its financial statements or is part of a consolidated group  
7 of affiliated corporations, as filed for federal income tax  
8 purposes, that in the aggregate has demonstrated positive net  
9 income in any of the 3 previous 5 full years of ongoing  
10 operations as determined on its combined financial statements.

11 Once an application has been approved, the applicant shall  
12 be permitted to surrender, subject to the limitations set forth  
13 in subsection (b) of this Section and the net operating loss  
14 carryover tax credit carryover time periods, the surrendered  
15 tax benefits that are requested in the application regardless  
16 of whether the applicant continues to meet the eligibility  
17 criteria set forth in the act in subsequent years.

18 The Department shall require a business taxpayer that  
19 acquires a business tax benefit certificate to enter into a  
20 written agreement with the advanced sciences company  
21 concerning the terms and conditions of the private financial  
22 assistance made in exchange for the certificate.

23 Section 905. The Illinois Income Tax Act is amended by  
24 changing Section 203 and by adding Section 218 as follows:

1 (35 ILCS 5/203) (from Ch. 120, par. 2-203)

2 Sec. 203. Base income defined.

3 (a) Individuals.

4 (1) In general. In the case of an individual, base  
5 income means an amount equal to the taxpayer's adjusted  
6 gross income for the taxable year as modified by paragraph  
7 (2).

8 (2) Modifications. The adjusted gross income referred  
9 to in paragraph (1) shall be modified by adding thereto the  
10 sum of the following amounts:

11 (A) An amount equal to all amounts paid or accrued  
12 to the taxpayer as interest or dividends during the  
13 taxable year to the extent excluded from gross income  
14 in the computation of adjusted gross income, except  
15 stock dividends of qualified public utilities  
16 described in Section 305(e) of the Internal Revenue  
17 Code;

18 (B) An amount equal to the amount of tax imposed by  
19 this Act to the extent deducted from gross income in  
20 the computation of adjusted gross income for the  
21 taxable year;

22 (C) An amount equal to the amount received during  
23 the taxable year as a recovery or refund of real  
24 property taxes paid with respect to the taxpayer's  
25 principal residence under the Revenue Act of 1939 and  
26 for which a deduction was previously taken under

1           subparagraph (L) of this paragraph (2) prior to July 1,  
2           1991, the retrospective application date of Article 4  
3           of Public Act 87-17. In the case of multi-unit or  
4           multi-use structures and farm dwellings, the taxes on  
5           the taxpayer's principal residence shall be that  
6           portion of the total taxes for the entire property  
7           which is attributable to such principal residence;

8           (D) An amount equal to the amount of the capital  
9           gain deduction allowable under the Internal Revenue  
10          Code, to the extent deducted from gross income in the  
11          computation of adjusted gross income;

12          (D-5) An amount, to the extent not included in  
13          adjusted gross income, equal to the amount of money  
14          withdrawn by the taxpayer in the taxable year from a  
15          medical care savings account and the interest earned on  
16          the account in the taxable year of a withdrawal  
17          pursuant to subsection (b) of Section 20 of the Medical  
18          Care Savings Account Act or subsection (b) of Section  
19          20 of the Medical Care Savings Account Act of 2000;

20          (D-10) For taxable years ending after December 31,  
21          1997, an amount equal to any eligible remediation costs  
22          that the individual deducted in computing adjusted  
23          gross income and for which the individual claims a  
24          credit under subsection (1) of Section 201;

25          (D-15) For taxable years 2001 and thereafter, an  
26          amount equal to the bonus depreciation deduction taken

1 on the taxpayer's federal income tax return for the  
2 taxable year under subsection (k) of Section 168 of the  
3 Internal Revenue Code;

4 (D-16) If the taxpayer sells, transfers, abandons,  
5 or otherwise disposes of property for which the  
6 taxpayer was required in any taxable year to make an  
7 addition modification under subparagraph (D-15), then  
8 an amount equal to the aggregate amount of the  
9 deductions taken in all taxable years under  
10 subparagraph (Z) with respect to that property.

11 If the taxpayer continues to own property through  
12 the last day of the last tax year for which the  
13 taxpayer may claim a depreciation deduction for  
14 federal income tax purposes and for which the taxpayer  
15 was allowed in any taxable year to make a subtraction  
16 modification under subparagraph (Z), then an amount  
17 equal to that subtraction modification.

18 The taxpayer is required to make the addition  
19 modification under this subparagraph only once with  
20 respect to any one piece of property;

21 (D-17) An amount equal to the amount otherwise  
22 allowed as a deduction in computing base income for  
23 interest paid, accrued, or incurred, directly or  
24 indirectly, (i) for taxable years ending on or after  
25 December 31, 2004, to a foreign person who would be a  
26 member of the same unitary business group but for the

1 fact that foreign person's business activity outside  
2 the United States is 80% or more of the foreign  
3 person's total business activity and (ii) for taxable  
4 years ending on or after December 31, 2008, to a person  
5 who would be a member of the same unitary business  
6 group but for the fact that the person is prohibited  
7 under Section 1501(a)(27) from being included in the  
8 unitary business group because he or she is ordinarily  
9 required to apportion business income under different  
10 subsections of Section 304. The addition modification  
11 required by this subparagraph shall be reduced to the  
12 extent that dividends were included in base income of  
13 the unitary group for the same taxable year and  
14 received by the taxpayer or by a member of the  
15 taxpayer's unitary business group (including amounts  
16 included in gross income under Sections 951 through 964  
17 of the Internal Revenue Code and amounts included in  
18 gross income under Section 78 of the Internal Revenue  
19 Code) with respect to the stock of the same person to  
20 whom the interest was paid, accrued, or incurred.

21 This paragraph shall not apply to the following:

22 (i) an item of interest paid, accrued, or  
23 incurred, directly or indirectly, to a person who  
24 is subject in a foreign country or state, other  
25 than a state which requires mandatory unitary  
26 reporting, to a tax on or measured by net income

1 with respect to such interest; or

2 (ii) an item of interest paid, accrued, or  
3 incurred, directly or indirectly, to a person if  
4 the taxpayer can establish, based on a  
5 preponderance of the evidence, both of the  
6 following:

7 (a) the person, during the same taxable  
8 year, paid, accrued, or incurred, the interest  
9 to a person that is not a related member, and

10 (b) the transaction giving rise to the  
11 interest expense between the taxpayer and the  
12 person did not have as a principal purpose the  
13 avoidance of Illinois income tax, and is paid  
14 pursuant to a contract or agreement that  
15 reflects an arm's-length interest rate and  
16 terms; or

17 (iii) the taxpayer can establish, based on  
18 clear and convincing evidence, that the interest  
19 paid, accrued, or incurred relates to a contract or  
20 agreement entered into at arm's-length rates and  
21 terms and the principal purpose for the payment is  
22 not federal or Illinois tax avoidance; or

23 (iv) an item of interest paid, accrued, or  
24 incurred, directly or indirectly, to a person if  
25 the taxpayer establishes by clear and convincing  
26 evidence that the adjustments are unreasonable; or

1 if the taxpayer and the Director agree in writing  
2 to the application or use of an alternative method  
3 of apportionment under Section 304(f).

4 Nothing in this subsection shall preclude the  
5 Director from making any other adjustment  
6 otherwise allowed under Section 404 of this Act for  
7 any tax year beginning after the effective date of  
8 this amendment provided such adjustment is made  
9 pursuant to regulation adopted by the Department  
10 and such regulations provide methods and standards  
11 by which the Department will utilize its authority  
12 under Section 404 of this Act;

13 (D-18) An amount equal to the amount of intangible  
14 expenses and costs otherwise allowed as a deduction in  
15 computing base income, and that were paid, accrued, or  
16 incurred, directly or indirectly, (i) for taxable  
17 years ending on or after December 31, 2004, to a  
18 foreign person who would be a member of the same  
19 unitary business group but for the fact that the  
20 foreign person's business activity outside the United  
21 States is 80% or more of that person's total business  
22 activity and (ii) for taxable years ending on or after  
23 December 31, 2008, to a person who would be a member of  
24 the same unitary business group but for the fact that  
25 the person is prohibited under Section 1501(a)(27)  
26 from being included in the unitary business group

1 because he or she is ordinarily required to apportion  
2 business income under different subsections of Section  
3 304. The addition modification required by this  
4 subparagraph shall be reduced to the extent that  
5 dividends were included in base income of the unitary  
6 group for the same taxable year and received by the  
7 taxpayer or by a member of the taxpayer's unitary  
8 business group (including amounts included in gross  
9 income under Sections 951 through 964 of the Internal  
10 Revenue Code and amounts included in gross income under  
11 Section 78 of the Internal Revenue Code) with respect  
12 to the stock of the same person to whom the intangible  
13 expenses and costs were directly or indirectly paid,  
14 incurred, or accrued. The preceding sentence does not  
15 apply to the extent that the same dividends caused a  
16 reduction to the addition modification required under  
17 Section 203(a)(2)(D-17) of this Act. As used in this  
18 subparagraph, the term "intangible expenses and costs"  
19 includes (1) expenses, losses, and costs for, or  
20 related to, the direct or indirect acquisition, use,  
21 maintenance or management, ownership, sale, exchange,  
22 or any other disposition of intangible property; (2)  
23 losses incurred, directly or indirectly, from  
24 factoring transactions or discounting transactions;  
25 (3) royalty, patent, technical, and copyright fees;  
26 (4) licensing fees; and (5) other similar expenses and

1 costs. For purposes of this subparagraph, "intangible  
2 property" includes patents, patent applications, trade  
3 names, trademarks, service marks, copyrights, mask  
4 works, trade secrets, and similar types of intangible  
5 assets.

6 This paragraph shall not apply to the following:

7 (i) any item of intangible expenses or costs  
8 paid, accrued, or incurred, directly or  
9 indirectly, from a transaction with a person who is  
10 subject in a foreign country or state, other than a  
11 state which requires mandatory unitary reporting,  
12 to a tax on or measured by net income with respect  
13 to such item; or

14 (ii) any item of intangible expense or cost  
15 paid, accrued, or incurred, directly or  
16 indirectly, if the taxpayer can establish, based  
17 on a preponderance of the evidence, both of the  
18 following:

19 (a) the person during the same taxable  
20 year paid, accrued, or incurred, the  
21 intangible expense or cost to a person that is  
22 not a related member, and

23 (b) the transaction giving rise to the  
24 intangible expense or cost between the  
25 taxpayer and the person did not have as a  
26 principal purpose the avoidance of Illinois

1 income tax, and is paid pursuant to a contract  
2 or agreement that reflects arm's-length terms;  
3 or

4 (iii) any item of intangible expense or cost  
5 paid, accrued, or incurred, directly or  
6 indirectly, from a transaction with a person if the  
7 taxpayer establishes by clear and convincing  
8 evidence, that the adjustments are unreasonable;  
9 or if the taxpayer and the Director agree in  
10 writing to the application or use of an alternative  
11 method of apportionment under Section 304(f);

12 Nothing in this subsection shall preclude the  
13 Director from making any other adjustment  
14 otherwise allowed under Section 404 of this Act for  
15 any tax year beginning after the effective date of  
16 this amendment provided such adjustment is made  
17 pursuant to regulation adopted by the Department  
18 and such regulations provide methods and standards  
19 by which the Department will utilize its authority  
20 under Section 404 of this Act;

21 (D-19) For taxable years ending on or after  
22 December 31, 2008, an amount equal to the amount of  
23 insurance premium expenses and costs otherwise allowed  
24 as a deduction in computing base income, and that were  
25 paid, accrued, or incurred, directly or indirectly, to  
26 a person who would be a member of the same unitary

1 business group but for the fact that the person is  
2 prohibited under Section 1501(a)(27) from being  
3 included in the unitary business group because he or  
4 she is ordinarily required to apportion business  
5 income under different subsections of Section 304. The  
6 addition modification required by this subparagraph  
7 shall be reduced to the extent that dividends were  
8 included in base income of the unitary group for the  
9 same taxable year and received by the taxpayer or by a  
10 member of the taxpayer's unitary business group  
11 (including amounts included in gross income under  
12 Sections 951 through 964 of the Internal Revenue Code  
13 and amounts included in gross income under Section 78  
14 of the Internal Revenue Code) with respect to the stock  
15 of the same person to whom the premiums and costs were  
16 directly or indirectly paid, incurred, or accrued. The  
17 preceding sentence does not apply to the extent that  
18 the same dividends caused a reduction to the addition  
19 modification required under Section 203(a)(2)(D-17) or  
20 Section 203(a)(2)(D-18) of this Act.

21 (D-20) For taxable years beginning on or after  
22 January 1, 2002 and ending on or before December 31,  
23 2006, in the case of a distribution from a qualified  
24 tuition program under Section 529 of the Internal  
25 Revenue Code, other than (i) a distribution from a  
26 College Savings Pool created under Section 16.5 of the

1 State Treasurer Act or (ii) a distribution from the  
2 Illinois Prepaid Tuition Trust Fund, an amount equal to  
3 the amount excluded from gross income under Section  
4 529(c)(3)(B). For taxable years beginning on or after  
5 January 1, 2007, in the case of a distribution from a  
6 qualified tuition program under Section 529 of the  
7 Internal Revenue Code, other than (i) a distribution  
8 from a College Savings Pool created under Section 16.5  
9 of the State Treasurer Act, (ii) a distribution from  
10 the Illinois Prepaid Tuition Trust Fund, or (iii) a  
11 distribution from a qualified tuition program under  
12 Section 529 of the Internal Revenue Code that (I)  
13 adopts and determines that its offering materials  
14 comply with the College Savings Plans Network's  
15 disclosure principles and (II) has made reasonable  
16 efforts to inform in-state residents of the existence  
17 of in-state qualified tuition programs by informing  
18 Illinois residents directly and, where applicable, to  
19 inform financial intermediaries distributing the  
20 program to inform in-state residents of the existence  
21 of in-state qualified tuition programs at least  
22 annually, an amount equal to the amount excluded from  
23 gross income under Section 529(c)(3)(B).

24 For the purposes of this subparagraph (D-20), a  
25 qualified tuition program has made reasonable efforts  
26 if it makes disclosures (which may use the term

1 "in-state program" or "in-state plan" and need not  
2 specifically refer to Illinois or its qualified  
3 programs by name) (i) directly to prospective  
4 participants in its offering materials or makes a  
5 public disclosure, such as a website posting; and (ii)  
6 where applicable, to intermediaries selling the  
7 out-of-state program in the same manner that the  
8 out-of-state program distributes its offering  
9 materials;

10 (D-21) For taxable years beginning on or after  
11 January 1, 2007, in the case of transfer of moneys from  
12 a qualified tuition program under Section 529 of the  
13 Internal Revenue Code that is administered by the State  
14 to an out-of-state program, an amount equal to the  
15 amount of moneys previously deducted from base income  
16 under subsection (a) (2) (Y) of this Section.

17 and by deducting from the total so obtained the sum of the  
18 following amounts:

19 (E) For taxable years ending before December 31,  
20 2001, any amount included in such total in respect of  
21 any compensation (including but not limited to any  
22 compensation paid or accrued to a serviceman while a  
23 prisoner of war or missing in action) paid to a  
24 resident by reason of being on active duty in the Armed  
25 Forces of the United States and in respect of any  
26 compensation paid or accrued to a resident who as a

1 governmental employee was a prisoner of war or missing  
2 in action, and in respect of any compensation paid to a  
3 resident in 1971 or thereafter for annual training  
4 performed pursuant to Sections 502 and 503, Title 32,  
5 United States Code as a member of the Illinois National  
6 Guard or, beginning with taxable years ending on or  
7 after December 31, 2007, the National Guard of any  
8 other state. For taxable years ending on or after  
9 December 31, 2001, any amount included in such total in  
10 respect of any compensation (including but not limited  
11 to any compensation paid or accrued to a serviceman  
12 while a prisoner of war or missing in action) paid to a  
13 resident by reason of being a member of any component  
14 of the Armed Forces of the United States and in respect  
15 of any compensation paid or accrued to a resident who  
16 as a governmental employee was a prisoner of war or  
17 missing in action, and in respect of any compensation  
18 paid to a resident in 2001 or thereafter by reason of  
19 being a member of the Illinois National Guard or,  
20 beginning with taxable years ending on or after  
21 December 31, 2007, the National Guard of any other  
22 state. The provisions of this amendatory Act of the  
23 92nd General Assembly are exempt from the provisions of  
24 Section 250;

25 (F) An amount equal to all amounts included in such  
26 total pursuant to the provisions of Sections 402(a),

1 402(c), 403(a), 403(b), 406(a), 407(a), and 408 of the  
2 Internal Revenue Code, or included in such total as  
3 distributions under the provisions of any retirement  
4 or disability plan for employees of any governmental  
5 agency or unit, or retirement payments to retired  
6 partners, which payments are excluded in computing net  
7 earnings from self employment by Section 1402 of the  
8 Internal Revenue Code and regulations adopted pursuant  
9 thereto;

10 (G) The valuation limitation amount;

11 (H) An amount equal to the amount of any tax  
12 imposed by this Act which was refunded to the taxpayer  
13 and included in such total for the taxable year;

14 (I) An amount equal to all amounts included in such  
15 total pursuant to the provisions of Section 111 of the  
16 Internal Revenue Code as a recovery of items previously  
17 deducted from adjusted gross income in the computation  
18 of taxable income;

19 (J) An amount equal to those dividends included in  
20 such total which were paid by a corporation which  
21 conducts business operations in an Enterprise Zone or  
22 zones created under the Illinois Enterprise Zone Act or  
23 a River Edge Redevelopment Zone or zones created under  
24 the River Edge Redevelopment Zone Act, and conducts  
25 substantially all of its operations in an Enterprise  
26 Zone or zones or a River Edge Redevelopment Zone or

1 zones. This subparagraph (J) is exempt from the  
2 provisions of Section 250;

3 (J-5) The amount of any contribution certified by  
4 the Department and made by the taxpayer during the  
5 taxable year under Section 11 of the Advanced Sciences  
6 Zone Act. This subparagraph (J-5) is exempt from the  
7 provisions of Section 250;

8 (K) An amount equal to those dividends included in  
9 such total that were paid by a corporation that  
10 conducts business operations in a federally designated  
11 Foreign Trade Zone or Sub-Zone and that is designated a  
12 High Impact Business located in Illinois; provided  
13 that dividends eligible for the deduction provided in  
14 subparagraph (J) of paragraph (2) of this subsection  
15 shall not be eligible for the deduction provided under  
16 this subparagraph (K);

17 (L) For taxable years ending after December 31,  
18 1983, an amount equal to all social security benefits  
19 and railroad retirement benefits included in such  
20 total pursuant to Sections 72(r) and 86 of the Internal  
21 Revenue Code;

22 (M) With the exception of any amounts subtracted  
23 under subparagraph (N), an amount equal to the sum of  
24 all amounts disallowed as deductions by (i) Sections  
25 171(a) (2), and 265(2) of the Internal Revenue Code of  
26 1954, as now or hereafter amended, and all amounts of

1 expenses allocable to interest and disallowed as  
2 deductions by Section 265(1) of the Internal Revenue  
3 Code of 1954, as now or hereafter amended; and (ii) for  
4 taxable years ending on or after August 13, 1999,  
5 Sections 171(a)(2), 265, 280C, and 832(b)(5)(B)(i) of  
6 the Internal Revenue Code; the provisions of this  
7 subparagraph are exempt from the provisions of Section  
8 250;

9 (N) An amount equal to all amounts included in such  
10 total which are exempt from taxation by this State  
11 either by reason of its statutes or Constitution or by  
12 reason of the Constitution, treaties or statutes of the  
13 United States; provided that, in the case of any  
14 statute of this State that exempts income derived from  
15 bonds or other obligations from the tax imposed under  
16 this Act, the amount exempted shall be the interest net  
17 of bond premium amortization;

18 (O) An amount equal to any contribution made to a  
19 job training project established pursuant to the Tax  
20 Increment Allocation Redevelopment Act;

21 (P) An amount equal to the amount of the deduction  
22 used to compute the federal income tax credit for  
23 restoration of substantial amounts held under claim of  
24 right for the taxable year pursuant to Section 1341 of  
25 the Internal Revenue Code of 1986;

26 (Q) An amount equal to any amounts included in such

1 total, received by the taxpayer as an acceleration in  
2 the payment of life, endowment or annuity benefits in  
3 advance of the time they would otherwise be payable as  
4 an indemnity for a terminal illness;

5 (R) An amount equal to the amount of any federal or  
6 State bonus paid to veterans of the Persian Gulf War;

7 (S) An amount, to the extent included in adjusted  
8 gross income, equal to the amount of a contribution  
9 made in the taxable year on behalf of the taxpayer to a  
10 medical care savings account established under the  
11 Medical Care Savings Account Act or the Medical Care  
12 Savings Account Act of 2000 to the extent the  
13 contribution is accepted by the account administrator  
14 as provided in that Act;

15 (T) An amount, to the extent included in adjusted  
16 gross income, equal to the amount of interest earned in  
17 the taxable year on a medical care savings account  
18 established under the Medical Care Savings Account Act  
19 or the Medical Care Savings Account Act of 2000 on  
20 behalf of the taxpayer, other than interest added  
21 pursuant to item (D-5) of this paragraph (2);

22 (U) For one taxable year beginning on or after  
23 January 1, 1994, an amount equal to the total amount of  
24 tax imposed and paid under subsections (a) and (b) of  
25 Section 201 of this Act on grant amounts received by  
26 the taxpayer under the Nursing Home Grant Assistance

1 Act during the taxpayer's taxable years 1992 and 1993;

2 (V) Beginning with tax years ending on or after  
3 December 31, 1995 and ending with tax years ending on  
4 or before December 31, 2004, an amount equal to the  
5 amount paid by a taxpayer who is a self-employed  
6 taxpayer, a partner of a partnership, or a shareholder  
7 in a Subchapter S corporation for health insurance or  
8 long-term care insurance for that taxpayer or that  
9 taxpayer's spouse or dependents, to the extent that the  
10 amount paid for that health insurance or long-term care  
11 insurance may be deducted under Section 213 of the  
12 Internal Revenue Code of 1986, has not been deducted on  
13 the federal income tax return of the taxpayer, and does  
14 not exceed the taxable income attributable to that  
15 taxpayer's income, self-employment income, or  
16 Subchapter S corporation income; except that no  
17 deduction shall be allowed under this item (V) if the  
18 taxpayer is eligible to participate in any health  
19 insurance or long-term care insurance plan of an  
20 employer of the taxpayer or the taxpayer's spouse. The  
21 amount of the health insurance and long-term care  
22 insurance subtracted under this item (V) shall be  
23 determined by multiplying total health insurance and  
24 long-term care insurance premiums paid by the taxpayer  
25 times a number that represents the fractional  
26 percentage of eligible medical expenses under Section

1 213 of the Internal Revenue Code of 1986 not actually  
2 deducted on the taxpayer's federal income tax return;

3 (W) For taxable years beginning on or after January  
4 1, 1998, all amounts included in the taxpayer's federal  
5 gross income in the taxable year from amounts converted  
6 from a regular IRA to a Roth IRA. This paragraph is  
7 exempt from the provisions of Section 250;

8 (X) For taxable year 1999 and thereafter, an amount  
9 equal to the amount of any (i) distributions, to the  
10 extent includible in gross income for federal income  
11 tax purposes, made to the taxpayer because of his or  
12 her status as a victim of persecution for racial or  
13 religious reasons by Nazi Germany or any other Axis  
14 regime or as an heir of the victim and (ii) items of  
15 income, to the extent includible in gross income for  
16 federal income tax purposes, attributable to, derived  
17 from or in any way related to assets stolen from,  
18 hidden from, or otherwise lost to a victim of  
19 persecution for racial or religious reasons by Nazi  
20 Germany or any other Axis regime immediately prior to,  
21 during, and immediately after World War II, including,  
22 but not limited to, interest on the proceeds receivable  
23 as insurance under policies issued to a victim of  
24 persecution for racial or religious reasons by Nazi  
25 Germany or any other Axis regime by European insurance  
26 companies immediately prior to and during World War II;

1 provided, however, this subtraction from federal  
2 adjusted gross income does not apply to assets acquired  
3 with such assets or with the proceeds from the sale of  
4 such assets; provided, further, this paragraph shall  
5 only apply to a taxpayer who was the first recipient of  
6 such assets after their recovery and who is a victim of  
7 persecution for racial or religious reasons by Nazi  
8 Germany or any other Axis regime or as an heir of the  
9 victim. The amount of and the eligibility for any  
10 public assistance, benefit, or similar entitlement is  
11 not affected by the inclusion of items (i) and (ii) of  
12 this paragraph in gross income for federal income tax  
13 purposes. This paragraph is exempt from the provisions  
14 of Section 250;

15 (Y) For taxable years beginning on or after January  
16 1, 2002 and ending on or before December 31, 2004,  
17 moneys contributed in the taxable year to a College  
18 Savings Pool account under Section 16.5 of the State  
19 Treasurer Act, except that amounts excluded from gross  
20 income under Section 529(c)(3)(C)(i) of the Internal  
21 Revenue Code shall not be considered moneys  
22 contributed under this subparagraph (Y). For taxable  
23 years beginning on or after January 1, 2005, a maximum  
24 of \$10,000 contributed in the taxable year to (i) a  
25 College Savings Pool account under Section 16.5 of the  
26 State Treasurer Act or (ii) the Illinois Prepaid

1 Tuition Trust Fund, except that amounts excluded from  
2 gross income under Section 529(c)(3)(C)(i) of the  
3 Internal Revenue Code shall not be considered moneys  
4 contributed under this subparagraph (Y). This  
5 subparagraph (Y) is exempt from the provisions of  
6 Section 250;

7 (Z) For taxable years 2001 and thereafter, for the  
8 taxable year in which the bonus depreciation deduction  
9 is taken on the taxpayer's federal income tax return  
10 under subsection (k) of Section 168 of the Internal  
11 Revenue Code and for each applicable taxable year  
12 thereafter, an amount equal to "x", where:

13 (1) "y" equals the amount of the depreciation  
14 deduction taken for the taxable year on the  
15 taxpayer's federal income tax return on property  
16 for which the bonus depreciation deduction was  
17 taken in any year under subsection (k) of Section  
18 168 of the Internal Revenue Code, but not including  
19 the bonus depreciation deduction;

20 (2) for taxable years ending on or before  
21 December 31, 2005, "x" equals "y" multiplied by 30  
22 and then divided by 70 (or "y" multiplied by  
23 0.429); and

24 (3) for taxable years ending after December  
25 31, 2005:

26 (i) for property on which a bonus

1 depreciation deduction of 30% of the adjusted  
2 basis was taken, "x" equals "y" multiplied by  
3 30 and then divided by 70 (or "y" multiplied by  
4 0.429); and

5 (ii) for property on which a bonus  
6 depreciation deduction of 50% of the adjusted  
7 basis was taken, "x" equals "y" multiplied by  
8 1.0.

9 The aggregate amount deducted under this  
10 subparagraph in all taxable years for any one piece of  
11 property may not exceed the amount of the bonus  
12 depreciation deduction taken on that property on the  
13 taxpayer's federal income tax return under subsection  
14 (k) of Section 168 of the Internal Revenue Code. This  
15 subparagraph (Z) is exempt from the provisions of  
16 Section 250;

17 (AA) If the taxpayer sells, transfers, abandons,  
18 or otherwise disposes of property for which the  
19 taxpayer was required in any taxable year to make an  
20 addition modification under subparagraph (D-15), then  
21 an amount equal to that addition modification.

22 If the taxpayer continues to own property through  
23 the last day of the last tax year for which the  
24 taxpayer may claim a depreciation deduction for  
25 federal income tax purposes and for which the taxpayer  
26 was required in any taxable year to make an addition

1 modification under subparagraph (D-15), then an amount  
2 equal to that addition modification.

3 The taxpayer is allowed to take the deduction under  
4 this subparagraph only once with respect to any one  
5 piece of property.

6 This subparagraph (AA) is exempt from the  
7 provisions of Section 250;

8 (BB) Any amount included in adjusted gross income,  
9 other than salary, received by a driver in a  
10 ridesharing arrangement using a motor vehicle;

11 (CC) The amount of (i) any interest income (net of  
12 the deductions allocable thereto) taken into account  
13 for the taxable year with respect to a transaction with  
14 a taxpayer that is required to make an addition  
15 modification with respect to such transaction under  
16 Section 203(a)(2)(D-17), 203(b)(2)(E-12),  
17 203(c)(2)(G-12), or 203(d)(2)(D-7), but not to exceed  
18 the amount of that addition modification, and (ii) any  
19 income from intangible property (net of the deductions  
20 allocable thereto) taken into account for the taxable  
21 year with respect to a transaction with a taxpayer that  
22 is required to make an addition modification with  
23 respect to such transaction under Section  
24 203(a)(2)(D-18), 203(b)(2)(E-13), 203(c)(2)(G-13), or  
25 203(d)(2)(D-8), but not to exceed the amount of that  
26 addition modification. This subparagraph (CC) is

1 exempt from the provisions of Section 250;

2 (DD) An amount equal to the interest income taken  
3 into account for the taxable year (net of the  
4 deductions allocable thereto) with respect to  
5 transactions with (i) a foreign person who would be a  
6 member of the taxpayer's unitary business group but for  
7 the fact that the foreign person's business activity  
8 outside the United States is 80% or more of that  
9 person's total business activity and (ii) for taxable  
10 years ending on or after December 31, 2008, to a person  
11 who would be a member of the same unitary business  
12 group but for the fact that the person is prohibited  
13 under Section 1501(a)(27) from being included in the  
14 unitary business group because he or she is ordinarily  
15 required to apportion business income under different  
16 subsections of Section 304, but not to exceed the  
17 addition modification required to be made for the same  
18 taxable year under Section 203(a)(2)(D-17) for  
19 interest paid, accrued, or incurred, directly or  
20 indirectly, to the same person. This subparagraph (DD)  
21 is exempt from the provisions of Section 250; and

22 (EE) An amount equal to the income from intangible  
23 property taken into account for the taxable year (net  
24 of the deductions allocable thereto) with respect to  
25 transactions with (i) a foreign person who would be a  
26 member of the taxpayer's unitary business group but for

1 the fact that the foreign person's business activity  
2 outside the United States is 80% or more of that  
3 person's total business activity and (ii) for taxable  
4 years ending on or after December 31, 2008, to a person  
5 who would be a member of the same unitary business  
6 group but for the fact that the person is prohibited  
7 under Section 1501(a)(27) from being included in the  
8 unitary business group because he or she is ordinarily  
9 required to apportion business income under different  
10 subsections of Section 304, but not to exceed the  
11 addition modification required to be made for the same  
12 taxable year under Section 203(a)(2)(D-18) for  
13 intangible expenses and costs paid, accrued, or  
14 incurred, directly or indirectly, to the same foreign  
15 person. This subparagraph (EE) is exempt from the  
16 provisions of Section 250.

17 (b) Corporations.

18 (1) In general. In the case of a corporation, base  
19 income means an amount equal to the taxpayer's taxable  
20 income for the taxable year as modified by paragraph (2).

21 (2) Modifications. The taxable income referred to in  
22 paragraph (1) shall be modified by adding thereto the sum  
23 of the following amounts:

24 (A) An amount equal to all amounts paid or accrued  
25 to the taxpayer as interest and all distributions

1 received from regulated investment companies during  
2 the taxable year to the extent excluded from gross  
3 income in the computation of taxable income;

4 (B) An amount equal to the amount of tax imposed by  
5 this Act to the extent deducted from gross income in  
6 the computation of taxable income for the taxable year;

7 (C) In the case of a regulated investment company,  
8 an amount equal to the excess of (i) the net long-term  
9 capital gain for the taxable year, over (ii) the amount  
10 of the capital gain dividends designated as such in  
11 accordance with Section 852(b)(3)(C) of the Internal  
12 Revenue Code and any amount designated under Section  
13 852(b)(3)(D) of the Internal Revenue Code,  
14 attributable to the taxable year (this amendatory Act  
15 of 1995 (Public Act 89-89) is declarative of existing  
16 law and is not a new enactment);

17 (D) The amount of any net operating loss deduction  
18 taken in arriving at taxable income, other than a net  
19 operating loss carried forward from a taxable year  
20 ending prior to December 31, 1986;

21 (E) For taxable years in which a net operating loss  
22 carryback or carryforward from a taxable year ending  
23 prior to December 31, 1986 is an element of taxable  
24 income under paragraph (1) of subsection (e) or  
25 subparagraph (E) of paragraph (2) of subsection (e),  
26 the amount by which addition modifications other than

1 those provided by this subparagraph (E) exceeded  
2 subtraction modifications in such earlier taxable  
3 year, with the following limitations applied in the  
4 order that they are listed:

5 (i) the addition modification relating to the  
6 net operating loss carried back or forward to the  
7 taxable year from any taxable year ending prior to  
8 December 31, 1986 shall be reduced by the amount of  
9 addition modification under this subparagraph (E)  
10 which related to that net operating loss and which  
11 was taken into account in calculating the base  
12 income of an earlier taxable year, and

13 (ii) the addition modification relating to the  
14 net operating loss carried back or forward to the  
15 taxable year from any taxable year ending prior to  
16 December 31, 1986 shall not exceed the amount of  
17 such carryback or carryforward;

18 For taxable years in which there is a net operating  
19 loss carryback or carryforward from more than one other  
20 taxable year ending prior to December 31, 1986, the  
21 addition modification provided in this subparagraph  
22 (E) shall be the sum of the amounts computed  
23 independently under the preceding provisions of this  
24 subparagraph (E) for each such taxable year;

25 (E-5) For taxable years ending after December 31,  
26 1997, an amount equal to any eligible remediation costs

1           that the corporation deducted in computing adjusted  
2 gross income and for which the corporation claims a  
3 credit under subsection (l) of Section 201;

4           (E-10) For taxable years 2001 and thereafter, an  
5 amount equal to the bonus depreciation deduction taken  
6 on the taxpayer's federal income tax return for the  
7 taxable year under subsection (k) of Section 168 of the  
8 Internal Revenue Code;

9           (E-11) If the taxpayer sells, transfers, abandons,  
10 or otherwise disposes of property for which the  
11 taxpayer was required in any taxable year to make an  
12 addition modification under subparagraph (E-10), then  
13 an amount equal to the aggregate amount of the  
14 deductions taken in all taxable years under  
15 subparagraph (T) with respect to that property.

16           If the taxpayer continues to own property through  
17 the last day of the last tax year for which the  
18 taxpayer may claim a depreciation deduction for  
19 federal income tax purposes and for which the taxpayer  
20 was allowed in any taxable year to make a subtraction  
21 modification under subparagraph (T), then an amount  
22 equal to that subtraction modification.

23           The taxpayer is required to make the addition  
24 modification under this subparagraph only once with  
25 respect to any one piece of property;

26           (E-12) An amount equal to the amount otherwise

1 allowed as a deduction in computing base income for  
2 interest paid, accrued, or incurred, directly or  
3 indirectly, (i) for taxable years ending on or after  
4 December 31, 2004, to a foreign person who would be a  
5 member of the same unitary business group but for the  
6 fact the foreign person's business activity outside  
7 the United States is 80% or more of the foreign  
8 person's total business activity and (ii) for taxable  
9 years ending on or after December 31, 2008, to a person  
10 who would be a member of the same unitary business  
11 group but for the fact that the person is prohibited  
12 under Section 1501(a)(27) from being included in the  
13 unitary business group because he or she is ordinarily  
14 required to apportion business income under different  
15 subsections of Section 304. The addition modification  
16 required by this subparagraph shall be reduced to the  
17 extent that dividends were included in base income of  
18 the unitary group for the same taxable year and  
19 received by the taxpayer or by a member of the  
20 taxpayer's unitary business group (including amounts  
21 included in gross income pursuant to Sections 951  
22 through 964 of the Internal Revenue Code and amounts  
23 included in gross income under Section 78 of the  
24 Internal Revenue Code) with respect to the stock of the  
25 same person to whom the interest was paid, accrued, or  
26 incurred.

1 This paragraph shall not apply to the following:

2 (i) an item of interest paid, accrued, or  
3 incurred, directly or indirectly, to a person who  
4 is subject in a foreign country or state, other  
5 than a state which requires mandatory unitary  
6 reporting, to a tax on or measured by net income  
7 with respect to such interest; or

8 (ii) an item of interest paid, accrued, or  
9 incurred, directly or indirectly, to a person if  
10 the taxpayer can establish, based on a  
11 preponderance of the evidence, both of the  
12 following:

13 (a) the person, during the same taxable  
14 year, paid, accrued, or incurred, the interest  
15 to a person that is not a related member, and

16 (b) the transaction giving rise to the  
17 interest expense between the taxpayer and the  
18 person did not have as a principal purpose the  
19 avoidance of Illinois income tax, and is paid  
20 pursuant to a contract or agreement that  
21 reflects an arm's-length interest rate and  
22 terms; or

23 (iii) the taxpayer can establish, based on  
24 clear and convincing evidence, that the interest  
25 paid, accrued, or incurred relates to a contract or  
26 agreement entered into at arm's-length rates and

1 terms and the principal purpose for the payment is  
2 not federal or Illinois tax avoidance; or

3 (iv) an item of interest paid, accrued, or  
4 incurred, directly or indirectly, to a person if  
5 the taxpayer establishes by clear and convincing  
6 evidence that the adjustments are unreasonable; or  
7 if the taxpayer and the Director agree in writing  
8 to the application or use of an alternative method  
9 of apportionment under Section 304(f).

10 Nothing in this subsection shall preclude the  
11 Director from making any other adjustment  
12 otherwise allowed under Section 404 of this Act for  
13 any tax year beginning after the effective date of  
14 this amendment provided such adjustment is made  
15 pursuant to regulation adopted by the Department  
16 and such regulations provide methods and standards  
17 by which the Department will utilize its authority  
18 under Section 404 of this Act;

19 (E-13) An amount equal to the amount of intangible  
20 expenses and costs otherwise allowed as a deduction in  
21 computing base income, and that were paid, accrued, or  
22 incurred, directly or indirectly, (i) for taxable  
23 years ending on or after December 31, 2004, to a  
24 foreign person who would be a member of the same  
25 unitary business group but for the fact that the  
26 foreign person's business activity outside the United

1 States is 80% or more of that person's total business  
2 activity and (ii) for taxable years ending on or after  
3 December 31, 2008, to a person who would be a member of  
4 the same unitary business group but for the fact that  
5 the person is prohibited under Section 1501(a)(27)  
6 from being included in the unitary business group  
7 because he or she is ordinarily required to apportion  
8 business income under different subsections of Section  
9 304. The addition modification required by this  
10 subparagraph shall be reduced to the extent that  
11 dividends were included in base income of the unitary  
12 group for the same taxable year and received by the  
13 taxpayer or by a member of the taxpayer's unitary  
14 business group (including amounts included in gross  
15 income pursuant to Sections 951 through 964 of the  
16 Internal Revenue Code and amounts included in gross  
17 income under Section 78 of the Internal Revenue Code)  
18 with respect to the stock of the same person to whom  
19 the intangible expenses and costs were directly or  
20 indirectly paid, incurred, or accrued. The preceding  
21 sentence shall not apply to the extent that the same  
22 dividends caused a reduction to the addition  
23 modification required under Section 203(b)(2)(E-12) of  
24 this Act. As used in this subparagraph, the term  
25 "intangible expenses and costs" includes (1) expenses,  
26 losses, and costs for, or related to, the direct or

1 indirect acquisition, use, maintenance or management,  
2 ownership, sale, exchange, or any other disposition of  
3 intangible property; (2) losses incurred, directly or  
4 indirectly, from factoring transactions or discounting  
5 transactions; (3) royalty, patent, technical, and  
6 copyright fees; (4) licensing fees; and (5) other  
7 similar expenses and costs. For purposes of this  
8 subparagraph, "intangible property" includes patents,  
9 patent applications, trade names, trademarks, service  
10 marks, copyrights, mask works, trade secrets, and  
11 similar types of intangible assets.

12 This paragraph shall not apply to the following:

13 (i) any item of intangible expenses or costs  
14 paid, accrued, or incurred, directly or  
15 indirectly, from a transaction with a person who is  
16 subject in a foreign country or state, other than a  
17 state which requires mandatory unitary reporting,  
18 to a tax on or measured by net income with respect  
19 to such item; or

20 (ii) any item of intangible expense or cost  
21 paid, accrued, or incurred, directly or  
22 indirectly, if the taxpayer can establish, based  
23 on a preponderance of the evidence, both of the  
24 following:

25 (a) the person during the same taxable  
26 year paid, accrued, or incurred, the

1 intangible expense or cost to a person that is  
2 not a related member, and

3 (b) the transaction giving rise to the  
4 intangible expense or cost between the  
5 taxpayer and the person did not have as a  
6 principal purpose the avoidance of Illinois  
7 income tax, and is paid pursuant to a contract  
8 or agreement that reflects arm's-length terms;  
9 or

10 (iii) any item of intangible expense or cost  
11 paid, accrued, or incurred, directly or  
12 indirectly, from a transaction with a person if the  
13 taxpayer establishes by clear and convincing  
14 evidence, that the adjustments are unreasonable;  
15 or if the taxpayer and the Director agree in  
16 writing to the application or use of an alternative  
17 method of apportionment under Section 304(f);

18 Nothing in this subsection shall preclude the  
19 Director from making any other adjustment  
20 otherwise allowed under Section 404 of this Act for  
21 any tax year beginning after the effective date of  
22 this amendment provided such adjustment is made  
23 pursuant to regulation adopted by the Department  
24 and such regulations provide methods and standards  
25 by which the Department will utilize its authority  
26 under Section 404 of this Act;

1 (E-14) For taxable years ending on or after  
2 December 31, 2008, an amount equal to the amount of  
3 insurance premium expenses and costs otherwise allowed  
4 as a deduction in computing base income, and that were  
5 paid, accrued, or incurred, directly or indirectly, to  
6 a person who would be a member of the same unitary  
7 business group but for the fact that the person is  
8 prohibited under Section 1501(a)(27) from being  
9 included in the unitary business group because he or  
10 she is ordinarily required to apportion business  
11 income under different subsections of Section 304. The  
12 addition modification required by this subparagraph  
13 shall be reduced to the extent that dividends were  
14 included in base income of the unitary group for the  
15 same taxable year and received by the taxpayer or by a  
16 member of the taxpayer's unitary business group  
17 (including amounts included in gross income under  
18 Sections 951 through 964 of the Internal Revenue Code  
19 and amounts included in gross income under Section 78  
20 of the Internal Revenue Code) with respect to the stock  
21 of the same person to whom the premiums and costs were  
22 directly or indirectly paid, incurred, or accrued. The  
23 preceding sentence does not apply to the extent that  
24 the same dividends caused a reduction to the addition  
25 modification required under Section 203(b)(2)(E-12) or  
26 Section 203(b)(2)(E-13) of this Act;

1           (E-15) For taxable years beginning after December  
2           31, 2008, any deduction for dividends paid by a captive  
3           real estate investment trust that is allowed to a real  
4           estate investment trust under Section 857(b)(2)(B) of  
5           the Internal Revenue Code for dividends paid;  
6           and by deducting from the total so obtained the sum of the  
7           following amounts:

8           (F) An amount equal to the amount of any tax  
9           imposed by this Act which was refunded to the taxpayer  
10          and included in such total for the taxable year;

11          (G) An amount equal to any amount included in such  
12          total under Section 78 of the Internal Revenue Code;

13          (H) In the case of a regulated investment company,  
14          an amount equal to the amount of exempt interest  
15          dividends as defined in subsection (b) (5) of Section  
16          852 of the Internal Revenue Code, paid to shareholders  
17          for the taxable year;

18          (I) With the exception of any amounts subtracted  
19          under subparagraph (J), an amount equal to the sum of  
20          all amounts disallowed as deductions by (i) Sections  
21          171(a) (2), and 265(a)(2) and amounts disallowed as  
22          interest expense by Section 291(a)(3) of the Internal  
23          Revenue Code, as now or hereafter amended, and all  
24          amounts of expenses allocable to interest and  
25          disallowed as deductions by Section 265(a)(1) of the  
26          Internal Revenue Code, as now or hereafter amended; and

1 (ii) for taxable years ending on or after August 13,  
2 1999, Sections 171(a)(2), 265, 280C, 291(a)(3), and  
3 832(b)(5)(B)(i) of the Internal Revenue Code; the  
4 provisions of this subparagraph are exempt from the  
5 provisions of Section 250;

6 (J) An amount equal to all amounts included in such  
7 total which are exempt from taxation by this State  
8 either by reason of its statutes or Constitution or by  
9 reason of the Constitution, treaties or statutes of the  
10 United States; provided that, in the case of any  
11 statute of this State that exempts income derived from  
12 bonds or other obligations from the tax imposed under  
13 this Act, the amount exempted shall be the interest net  
14 of bond premium amortization;

15 (K) An amount equal to those dividends included in  
16 such total which were paid by a corporation which  
17 conducts business operations in an Enterprise Zone or  
18 zones created under the Illinois Enterprise Zone Act or  
19 a River Edge Redevelopment Zone or zones created under  
20 the River Edge Redevelopment Zone Act and conducts  
21 substantially all of its operations in an Enterprise  
22 Zone or zones or a River Edge Redevelopment Zone or  
23 zones. This subparagraph (K) is exempt from the  
24 provisions of Section 250;

25 (L) An amount equal to those dividends included in  
26 such total that were paid by a corporation that

1 conducts business operations in a federally designated  
2 Foreign Trade Zone or Sub-Zone and that is designated a  
3 High Impact Business located in Illinois; provided  
4 that dividends eligible for the deduction provided in  
5 subparagraph (K) of paragraph 2 of this subsection  
6 shall not be eligible for the deduction provided under  
7 this subparagraph (L);

8 (M) For any taxpayer that is a financial  
9 organization within the meaning of Section 304(c) of  
10 this Act, an amount included in such total as interest  
11 income from a loan or loans made by such taxpayer to a  
12 borrower, to the extent that such a loan is secured by  
13 property which is eligible for the Enterprise Zone  
14 Investment Credit or the River Edge Redevelopment Zone  
15 Investment Credit. To determine the portion of a loan  
16 or loans that is secured by property eligible for a  
17 Section 201(f) investment credit to the borrower, the  
18 entire principal amount of the loan or loans between  
19 the taxpayer and the borrower should be divided into  
20 the basis of the Section 201(f) investment credit  
21 property which secures the loan or loans, using for  
22 this purpose the original basis of such property on the  
23 date that it was placed in service in the Enterprise  
24 Zone or the River Edge Redevelopment Zone. The  
25 subtraction modification available to taxpayer in any  
26 year under this subsection shall be that portion of the

1 total interest paid by the borrower with respect to  
2 such loan attributable to the eligible property as  
3 calculated under the previous sentence. This  
4 subparagraph (M) is exempt from the provisions of  
5 Section 250;

6 (M-1) For any taxpayer that is a financial  
7 organization within the meaning of Section 304(c) of  
8 this Act, an amount included in such total as interest  
9 income from a loan or loans made by such taxpayer to a  
10 borrower, to the extent that such a loan is secured by  
11 property which is eligible for the High Impact Business  
12 Investment Credit. To determine the portion of a loan  
13 or loans that is secured by property eligible for a  
14 Section 201(h) investment credit to the borrower, the  
15 entire principal amount of the loan or loans between  
16 the taxpayer and the borrower should be divided into  
17 the basis of the Section 201(h) investment credit  
18 property which secures the loan or loans, using for  
19 this purpose the original basis of such property on the  
20 date that it was placed in service in a federally  
21 designated Foreign Trade Zone or Sub-Zone located in  
22 Illinois. No taxpayer that is eligible for the  
23 deduction provided in subparagraph (M) of paragraph  
24 (2) of this subsection shall be eligible for the  
25 deduction provided under this subparagraph (M-1). The  
26 subtraction modification available to taxpayers in any

1 year under this subsection shall be that portion of the  
2 total interest paid by the borrower with respect to  
3 such loan attributable to the eligible property as  
4 calculated under the previous sentence;

5 (N) Two times any contribution made during the  
6 taxable year to a designated zone organization to the  
7 extent that the contribution (i) qualifies as a  
8 charitable contribution under subsection (c) of  
9 Section 170 of the Internal Revenue Code and (ii) must,  
10 by its terms, be used for a project approved by the  
11 Department of Commerce and Economic Opportunity under  
12 Section 11 of the Illinois Enterprise Zone Act or under  
13 Section 10-10 of the River Edge Redevelopment Zone Act.  
14 This subparagraph (N) is exempt from the provisions of  
15 Section 250;

16 (N-5) The amount of any contribution certified by  
17 the Department and made by the taxpayer during the  
18 taxable year under Section 11 of the Advanced Sciences  
19 Zone Act. This subparagraph (N-5) is exempt from the  
20 provisions of Section 250;

21 (O) An amount equal to: (i) 85% for taxable years  
22 ending on or before December 31, 1992, or, a percentage  
23 equal to the percentage allowable under Section  
24 243(a)(1) of the Internal Revenue Code of 1986 for  
25 taxable years ending after December 31, 1992, of the  
26 amount by which dividends included in taxable income

1 and received from a corporation that is not created or  
2 organized under the laws of the United States or any  
3 state or political subdivision thereof, including, for  
4 taxable years ending on or after December 31, 1988,  
5 dividends received or deemed received or paid or deemed  
6 paid under Sections 951 through 964 of the Internal  
7 Revenue Code, exceed the amount of the modification  
8 provided under subparagraph (G) of paragraph (2) of  
9 this subsection (b) which is related to such dividends,  
10 and including, for taxable years ending on or after  
11 December 31, 2008, dividends received from a captive  
12 real estate investment trust; plus (ii) 100% of the  
13 amount by which dividends, included in taxable income  
14 and received, including, for taxable years ending on or  
15 after December 31, 1988, dividends received or deemed  
16 received or paid or deemed paid under Sections 951  
17 through 964 of the Internal Revenue Code and including,  
18 for taxable years ending on or after December 31, 2008,  
19 dividends received from a captive real estate  
20 investment trust, from any such corporation specified  
21 in clause (i) that would but for the provisions of  
22 Section 1504 (b) (3) of the Internal Revenue Code be  
23 treated as a member of the affiliated group which  
24 includes the dividend recipient, exceed the amount of  
25 the modification provided under subparagraph (G) of  
26 paragraph (2) of this subsection (b) which is related

1 to such dividends. This subparagraph (O) is exempt from  
2 the provisions of Section 250 of this Act;

3 (P) An amount equal to any contribution made to a  
4 job training project established pursuant to the Tax  
5 Increment Allocation Redevelopment Act;

6 (Q) An amount equal to the amount of the deduction  
7 used to compute the federal income tax credit for  
8 restoration of substantial amounts held under claim of  
9 right for the taxable year pursuant to Section 1341 of  
10 the Internal Revenue Code of 1986;

11 (R) On and after July 20, 1999, in the case of an  
12 attorney-in-fact with respect to whom an interinsurer  
13 or a reciprocal insurer has made the election under  
14 Section 835 of the Internal Revenue Code, 26 U.S.C.  
15 835, an amount equal to the excess, if any, of the  
16 amounts paid or incurred by that interinsurer or  
17 reciprocal insurer in the taxable year to the  
18 attorney-in-fact over the deduction allowed to that  
19 interinsurer or reciprocal insurer with respect to the  
20 attorney-in-fact under Section 835(b) of the Internal  
21 Revenue Code for the taxable year; the provisions of  
22 this subparagraph are exempt from the provisions of  
23 Section 250;

24 (S) For taxable years ending on or after December  
25 31, 1997, in the case of a Subchapter S corporation, an  
26 amount equal to all amounts of income allocable to a

1           shareholder subject to the Personal Property Tax  
2           Replacement Income Tax imposed by subsections (c) and  
3           (d) of Section 201 of this Act, including amounts  
4           allocable to organizations exempt from federal income  
5           tax by reason of Section 501(a) of the Internal Revenue  
6           Code. This subparagraph (S) is exempt from the  
7           provisions of Section 250;

8           (T) For taxable years 2001 and thereafter, for the  
9           taxable year in which the bonus depreciation deduction  
10          is taken on the taxpayer's federal income tax return  
11          under subsection (k) of Section 168 of the Internal  
12          Revenue Code and for each applicable taxable year  
13          thereafter, an amount equal to "x", where:

14               (1) "y" equals the amount of the depreciation  
15               deduction taken for the taxable year on the  
16               taxpayer's federal income tax return on property  
17               for which the bonus depreciation deduction was  
18               taken in any year under subsection (k) of Section  
19               168 of the Internal Revenue Code, but not including  
20               the bonus depreciation deduction;

21               (2) for taxable years ending on or before  
22               December 31, 2005, "x" equals "y" multiplied by 30  
23               and then divided by 70 (or "y" multiplied by  
24               0.429); and

25               (3) for taxable years ending after December  
26               31, 2005:

1 (i) for property on which a bonus  
2 depreciation deduction of 30% of the adjusted  
3 basis was taken, "x" equals "y" multiplied by  
4 30 and then divided by 70 (or "y" multiplied by  
5 0.429); and

6 (ii) for property on which a bonus  
7 depreciation deduction of 50% of the adjusted  
8 basis was taken, "x" equals "y" multiplied by  
9 1.0.

10 The aggregate amount deducted under this  
11 subparagraph in all taxable years for any one piece of  
12 property may not exceed the amount of the bonus  
13 depreciation deduction taken on that property on the  
14 taxpayer's federal income tax return under subsection  
15 (k) of Section 168 of the Internal Revenue Code. This  
16 subparagraph (T) is exempt from the provisions of  
17 Section 250;

18 (U) If the taxpayer sells, transfers, abandons, or  
19 otherwise disposes of property for which the taxpayer  
20 was required in any taxable year to make an addition  
21 modification under subparagraph (E-10), then an amount  
22 equal to that addition modification.

23 If the taxpayer continues to own property through  
24 the last day of the last tax year for which the  
25 taxpayer may claim a depreciation deduction for  
26 federal income tax purposes and for which the taxpayer

1 was required in any taxable year to make an addition  
2 modification under subparagraph (E-10), then an amount  
3 equal to that addition modification.

4 The taxpayer is allowed to take the deduction under  
5 this subparagraph only once with respect to any one  
6 piece of property.

7 This subparagraph (U) is exempt from the  
8 provisions of Section 250;

9 (V) The amount of: (i) any interest income (net of  
10 the deductions allocable thereto) taken into account  
11 for the taxable year with respect to a transaction with  
12 a taxpayer that is required to make an addition  
13 modification with respect to such transaction under  
14 Section 203(a)(2)(D-17), 203(b)(2)(E-12),  
15 203(c)(2)(G-12), or 203(d)(2)(D-7), but not to exceed  
16 the amount of such addition modification, (ii) any  
17 income from intangible property (net of the deductions  
18 allocable thereto) taken into account for the taxable  
19 year with respect to a transaction with a taxpayer that  
20 is required to make an addition modification with  
21 respect to such transaction under Section  
22 203(a)(2)(D-18), 203(b)(2)(E-13), 203(c)(2)(G-13), or  
23 203(d)(2)(D-8), but not to exceed the amount of such  
24 addition modification, and (iii) any insurance premium  
25 income (net of deductions allocable thereto) taken  
26 into account for the taxable year with respect to a

1 transaction with a taxpayer that is required to make an  
2 addition modification with respect to such transaction  
3 under Section 203(a)(2)(D-19), Section  
4 203(b)(2)(E-14), Section 203(c)(2)(G-14), or Section  
5 203(d)(2)(D-9), but not to exceed the amount of that  
6 addition modification. This subparagraph (V) is exempt  
7 from the provisions of Section 250;

8 (W) An amount equal to the interest income taken  
9 into account for the taxable year (net of the  
10 deductions allocable thereto) with respect to  
11 transactions with (i) a foreign person who would be a  
12 member of the taxpayer's unitary business group but for  
13 the fact that the foreign person's business activity  
14 outside the United States is 80% or more of that  
15 person's total business activity and (ii) for taxable  
16 years ending on or after December 31, 2008, to a person  
17 who would be a member of the same unitary business  
18 group but for the fact that the person is prohibited  
19 under Section 1501(a)(27) from being included in the  
20 unitary business group because he or she is ordinarily  
21 required to apportion business income under different  
22 subsections of Section 304, but not to exceed the  
23 addition modification required to be made for the same  
24 taxable year under Section 203(b)(2)(E-12) for  
25 interest paid, accrued, or incurred, directly or  
26 indirectly, to the same person. This subparagraph (W)

1 is exempt from the provisions of Section 250; and

2 (X) An amount equal to the income from intangible  
3 property taken into account for the taxable year (net  
4 of the deductions allocable thereto) with respect to  
5 transactions with (i) a foreign person who would be a  
6 member of the taxpayer's unitary business group but for  
7 the fact that the foreign person's business activity  
8 outside the United States is 80% or more of that  
9 person's total business activity and (ii) for taxable  
10 years ending on or after December 31, 2008, to a person  
11 who would be a member of the same unitary business  
12 group but for the fact that the person is prohibited  
13 under Section 1501(a)(27) from being included in the  
14 unitary business group because he or she is ordinarily  
15 required to apportion business income under different  
16 subsections of Section 304, but not to exceed the  
17 addition modification required to be made for the same  
18 taxable year under Section 203(b)(2)(E-13) for  
19 intangible expenses and costs paid, accrued, or  
20 incurred, directly or indirectly, to the same foreign  
21 person. This subparagraph (X) is exempt from the  
22 provisions of Section 250. ~~(Y)~~

23 (3) Special rule. For purposes of paragraph (2) (A),  
24 "gross income" in the case of a life insurance company, for  
25 tax years ending on and after December 31, 1994, shall mean  
26 the gross investment income for the taxable year.

1 (c) Trusts and estates.

2 (1) In general. In the case of a trust or estate, base  
3 income means an amount equal to the taxpayer's taxable  
4 income for the taxable year as modified by paragraph (2).

5 (2) Modifications. Subject to the provisions of  
6 paragraph (3), the taxable income referred to in paragraph  
7 (1) shall be modified by adding thereto the sum of the  
8 following amounts:

9 (A) An amount equal to all amounts paid or accrued  
10 to the taxpayer as interest or dividends during the  
11 taxable year to the extent excluded from gross income  
12 in the computation of taxable income;

13 (B) In the case of (i) an estate, \$600; (ii) a  
14 trust which, under its governing instrument, is  
15 required to distribute all of its income currently,  
16 \$300; and (iii) any other trust, \$100, but in each such  
17 case, only to the extent such amount was deducted in  
18 the computation of taxable income;

19 (C) An amount equal to the amount of tax imposed by  
20 this Act to the extent deducted from gross income in  
21 the computation of taxable income for the taxable year;

22 (D) The amount of any net operating loss deduction  
23 taken in arriving at taxable income, other than a net  
24 operating loss carried forward from a taxable year  
25 ending prior to December 31, 1986;

1           (E) For taxable years in which a net operating loss  
2 carryback or carryforward from a taxable year ending  
3 prior to December 31, 1986 is an element of taxable  
4 income under paragraph (1) of subsection (e) or  
5 subparagraph (E) of paragraph (2) of subsection (e),  
6 the amount by which addition modifications other than  
7 those provided by this subparagraph (E) exceeded  
8 subtraction modifications in such taxable year, with  
9 the following limitations applied in the order that  
10 they are listed:

11           (i) the addition modification relating to the  
12 net operating loss carried back or forward to the  
13 taxable year from any taxable year ending prior to  
14 December 31, 1986 shall be reduced by the amount of  
15 addition modification under this subparagraph (E)  
16 which related to that net operating loss and which  
17 was taken into account in calculating the base  
18 income of an earlier taxable year, and

19           (ii) the addition modification relating to the  
20 net operating loss carried back or forward to the  
21 taxable year from any taxable year ending prior to  
22 December 31, 1986 shall not exceed the amount of  
23 such carryback or carryforward;

24           For taxable years in which there is a net operating  
25 loss carryback or carryforward from more than one other  
26 taxable year ending prior to December 31, 1986, the

1 addition modification provided in this subparagraph  
2 (E) shall be the sum of the amounts computed  
3 independently under the preceding provisions of this  
4 subparagraph (E) for each such taxable year;

5 (F) For taxable years ending on or after January 1,  
6 1989, an amount equal to the tax deducted pursuant to  
7 Section 164 of the Internal Revenue Code if the trust  
8 or estate is claiming the same tax for purposes of the  
9 Illinois foreign tax credit under Section 601 of this  
10 Act;

11 (G) An amount equal to the amount of the capital  
12 gain deduction allowable under the Internal Revenue  
13 Code, to the extent deducted from gross income in the  
14 computation of taxable income;

15 (G-5) For taxable years ending after December 31,  
16 1997, an amount equal to any eligible remediation costs  
17 that the trust or estate deducted in computing adjusted  
18 gross income and for which the trust or estate claims a  
19 credit under subsection (l) of Section 201;

20 (G-10) For taxable years 2001 and thereafter, an  
21 amount equal to the bonus depreciation deduction taken  
22 on the taxpayer's federal income tax return for the  
23 taxable year under subsection (k) of Section 168 of the  
24 Internal Revenue Code; and

25 (G-11) If the taxpayer sells, transfers, abandons,  
26 or otherwise disposes of property for which the

1 taxpayer was required in any taxable year to make an  
2 addition modification under subparagraph (G-10), then  
3 an amount equal to the aggregate amount of the  
4 deductions taken in all taxable years under  
5 subparagraph (R) with respect to that property.

6 If the taxpayer continues to own property through  
7 the last day of the last tax year for which the  
8 taxpayer may claim a depreciation deduction for  
9 federal income tax purposes and for which the taxpayer  
10 was allowed in any taxable year to make a subtraction  
11 modification under subparagraph (R), then an amount  
12 equal to that subtraction modification.

13 The taxpayer is required to make the addition  
14 modification under this subparagraph only once with  
15 respect to any one piece of property;

16 (G-12) An amount equal to the amount otherwise  
17 allowed as a deduction in computing base income for  
18 interest paid, accrued, or incurred, directly or  
19 indirectly, (i) for taxable years ending on or after  
20 December 31, 2004, to a foreign person who would be a  
21 member of the same unitary business group but for the  
22 fact that the foreign person's business activity  
23 outside the United States is 80% or more of the foreign  
24 person's total business activity and (ii) for taxable  
25 years ending on or after December 31, 2008, to a person  
26 who would be a member of the same unitary business

1 group but for the fact that the person is prohibited  
2 under Section 1501(a)(27) from being included in the  
3 unitary business group because he or she is ordinarily  
4 required to apportion business income under different  
5 subsections of Section 304. The addition modification  
6 required by this subparagraph shall be reduced to the  
7 extent that dividends were included in base income of  
8 the unitary group for the same taxable year and  
9 received by the taxpayer or by a member of the  
10 taxpayer's unitary business group (including amounts  
11 included in gross income pursuant to Sections 951  
12 through 964 of the Internal Revenue Code and amounts  
13 included in gross income under Section 78 of the  
14 Internal Revenue Code) with respect to the stock of the  
15 same person to whom the interest was paid, accrued, or  
16 incurred.

17 This paragraph shall not apply to the following:

18 (i) an item of interest paid, accrued, or  
19 incurred, directly or indirectly, to a person who  
20 is subject in a foreign country or state, other  
21 than a state which requires mandatory unitary  
22 reporting, to a tax on or measured by net income  
23 with respect to such interest; or

24 (ii) an item of interest paid, accrued, or  
25 incurred, directly or indirectly, to a person if  
26 the taxpayer can establish, based on a

1           preponderance of the evidence, both of the  
2           following:

3                   (a) the person, during the same taxable  
4                   year, paid, accrued, or incurred, the interest  
5                   to a person that is not a related member, and

6                   (b) the transaction giving rise to the  
7                   interest expense between the taxpayer and the  
8                   person did not have as a principal purpose the  
9                   avoidance of Illinois income tax, and is paid  
10                  pursuant to a contract or agreement that  
11                  reflects an arm's-length interest rate and  
12                  terms; or

13                  (iii) the taxpayer can establish, based on  
14                  clear and convincing evidence, that the interest  
15                  paid, accrued, or incurred relates to a contract or  
16                  agreement entered into at arm's-length rates and  
17                  terms and the principal purpose for the payment is  
18                  not federal or Illinois tax avoidance; or

19                  (iv) an item of interest paid, accrued, or  
20                  incurred, directly or indirectly, to a person if  
21                  the taxpayer establishes by clear and convincing  
22                  evidence that the adjustments are unreasonable; or  
23                  if the taxpayer and the Director agree in writing  
24                  to the application or use of an alternative method  
25                  of apportionment under Section 304(f).

26                  Nothing in this subsection shall preclude the

1 Director from making any other adjustment  
2 otherwise allowed under Section 404 of this Act for  
3 any tax year beginning after the effective date of  
4 this amendment provided such adjustment is made  
5 pursuant to regulation adopted by the Department  
6 and such regulations provide methods and standards  
7 by which the Department will utilize its authority  
8 under Section 404 of this Act;

9 (G-13) An amount equal to the amount of intangible  
10 expenses and costs otherwise allowed as a deduction in  
11 computing base income, and that were paid, accrued, or  
12 incurred, directly or indirectly, (i) for taxable  
13 years ending on or after December 31, 2004, to a  
14 foreign person who would be a member of the same  
15 unitary business group but for the fact that the  
16 foreign person's business activity outside the United  
17 States is 80% or more of that person's total business  
18 activity and (ii) for taxable years ending on or after  
19 December 31, 2008, to a person who would be a member of  
20 the same unitary business group but for the fact that  
21 the person is prohibited under Section 1501(a)(27)  
22 from being included in the unitary business group  
23 because he or she is ordinarily required to apportion  
24 business income under different subsections of Section  
25 304. The addition modification required by this  
26 subparagraph shall be reduced to the extent that

1 dividends were included in base income of the unitary  
2 group for the same taxable year and received by the  
3 taxpayer or by a member of the taxpayer's unitary  
4 business group (including amounts included in gross  
5 income pursuant to Sections 951 through 964 of the  
6 Internal Revenue Code and amounts included in gross  
7 income under Section 78 of the Internal Revenue Code)  
8 with respect to the stock of the same person to whom  
9 the intangible expenses and costs were directly or  
10 indirectly paid, incurred, or accrued. The preceding  
11 sentence shall not apply to the extent that the same  
12 dividends caused a reduction to the addition  
13 modification required under Section 203(c)(2)(G-12) of  
14 this Act. As used in this subparagraph, the term  
15 "intangible expenses and costs" includes: (1)  
16 expenses, losses, and costs for or related to the  
17 direct or indirect acquisition, use, maintenance or  
18 management, ownership, sale, exchange, or any other  
19 disposition of intangible property; (2) losses  
20 incurred, directly or indirectly, from factoring  
21 transactions or discounting transactions; (3) royalty,  
22 patent, technical, and copyright fees; (4) licensing  
23 fees; and (5) other similar expenses and costs. For  
24 purposes of this subparagraph, "intangible property"  
25 includes patents, patent applications, trade names,  
26 trademarks, service marks, copyrights, mask works,

1 trade secrets, and similar types of intangible assets.

2 This paragraph shall not apply to the following:

3 (i) any item of intangible expenses or costs  
4 paid, accrued, or incurred, directly or  
5 indirectly, from a transaction with a person who is  
6 subject in a foreign country or state, other than a  
7 state which requires mandatory unitary reporting,  
8 to a tax on or measured by net income with respect  
9 to such item; or

10 (ii) any item of intangible expense or cost  
11 paid, accrued, or incurred, directly or  
12 indirectly, if the taxpayer can establish, based  
13 on a preponderance of the evidence, both of the  
14 following:

15 (a) the person during the same taxable  
16 year paid, accrued, or incurred, the  
17 intangible expense or cost to a person that is  
18 not a related member, and

19 (b) the transaction giving rise to the  
20 intangible expense or cost between the  
21 taxpayer and the person did not have as a  
22 principal purpose the avoidance of Illinois  
23 income tax, and is paid pursuant to a contract  
24 or agreement that reflects arm's-length terms;  
25 or

26 (iii) any item of intangible expense or cost

1           paid, accrued, or incurred, directly or  
2           indirectly, from a transaction with a person if the  
3           taxpayer establishes by clear and convincing  
4           evidence, that the adjustments are unreasonable;  
5           or if the taxpayer and the Director agree in  
6           writing to the application or use of an alternative  
7           method of apportionment under Section 304(f);

8           Nothing in this subsection shall preclude the  
9           Director from making any other adjustment  
10          otherwise allowed under Section 404 of this Act for  
11          any tax year beginning after the effective date of  
12          this amendment provided such adjustment is made  
13          pursuant to regulation adopted by the Department  
14          and such regulations provide methods and standards  
15          by which the Department will utilize its authority  
16          under Section 404 of this Act;

17          (G-14) For taxable years ending on or after  
18          December 31, 2008, an amount equal to the amount of  
19          insurance premium expenses and costs otherwise allowed  
20          as a deduction in computing base income, and that were  
21          paid, accrued, or incurred, directly or indirectly, to  
22          a person who would be a member of the same unitary  
23          business group but for the fact that the person is  
24          prohibited under Section 1501(a)(27) from being  
25          included in the unitary business group because he or  
26          she is ordinarily required to apportion business

1 income under different subsections of Section 304. The  
2 addition modification required by this subparagraph  
3 shall be reduced to the extent that dividends were  
4 included in base income of the unitary group for the  
5 same taxable year and received by the taxpayer or by a  
6 member of the taxpayer's unitary business group  
7 (including amounts included in gross income under  
8 Sections 951 through 964 of the Internal Revenue Code  
9 and amounts included in gross income under Section 78  
10 of the Internal Revenue Code) with respect to the stock  
11 of the same person to whom the premiums and costs were  
12 directly or indirectly paid, incurred, or accrued. The  
13 preceding sentence does not apply to the extent that  
14 the same dividends caused a reduction to the addition  
15 modification required under Section 203(c)(2)(G-12) or  
16 Section 203(c)(2)(G-13) of this Act.

17 and by deducting from the total so obtained the sum of the  
18 following amounts:

19 (H) An amount equal to all amounts included in such  
20 total pursuant to the provisions of Sections 402(a),  
21 402(c), 403(a), 403(b), 406(a), 407(a) and 408 of the  
22 Internal Revenue Code or included in such total as  
23 distributions under the provisions of any retirement  
24 or disability plan for employees of any governmental  
25 agency or unit, or retirement payments to retired  
26 partners, which payments are excluded in computing net

1 earnings from self employment by Section 1402 of the  
2 Internal Revenue Code and regulations adopted pursuant  
3 thereto;

4 (I) The valuation limitation amount;

5 (J) An amount equal to the amount of any tax  
6 imposed by this Act which was refunded to the taxpayer  
7 and included in such total for the taxable year;

8 (K) An amount equal to all amounts included in  
9 taxable income as modified by subparagraphs (A), (B),  
10 (C), (D), (E), (F) and (G) which are exempt from  
11 taxation by this State either by reason of its statutes  
12 or Constitution or by reason of the Constitution,  
13 treaties or statutes of the United States; provided  
14 that, in the case of any statute of this State that  
15 exempts income derived from bonds or other obligations  
16 from the tax imposed under this Act, the amount  
17 exempted shall be the interest net of bond premium  
18 amortization;

19 (L) With the exception of any amounts subtracted  
20 under subparagraph (K), an amount equal to the sum of  
21 all amounts disallowed as deductions by (i) Sections  
22 171(a) (2) and 265(a) (2) of the Internal Revenue Code,  
23 as now or hereafter amended, and all amounts of  
24 expenses allocable to interest and disallowed as  
25 deductions by Section 265(1) of the Internal Revenue  
26 Code of 1954, as now or hereafter amended; and (ii) for

1 taxable years ending on or after August 13, 1999,  
2 Sections 171(a)(2), 265, 280C, and 832(b)(5)(B)(i) of  
3 the Internal Revenue Code; the provisions of this  
4 subparagraph are exempt from the provisions of Section  
5 250;

6 (M) An amount equal to those dividends included in  
7 such total which were paid by a corporation which  
8 conducts business operations in an Enterprise Zone or  
9 zones created under the Illinois Enterprise Zone Act or  
10 a River Edge Redevelopment Zone or zones created under  
11 the River Edge Redevelopment Zone Act and conducts  
12 substantially all of its operations in an Enterprise  
13 Zone or Zones or a River Edge Redevelopment Zone or  
14 zones. This subparagraph (M) is exempt from the  
15 provisions of Section 250;

16 (M-5) The amount of any contribution certified by  
17 the Department and made by the taxpayer during the  
18 taxable year under Section 11 of the Advanced Sciences  
19 Zone Act. This subparagraph (M-5) is exempt from the  
20 provisions of Section 250;

21 (N) An amount equal to any contribution made to a  
22 job training project established pursuant to the Tax  
23 Increment Allocation Redevelopment Act;

24 (O) An amount equal to those dividends included in  
25 such total that were paid by a corporation that  
26 conducts business operations in a federally designated

1 Foreign Trade Zone or Sub-Zone and that is designated a  
2 High Impact Business located in Illinois; provided  
3 that dividends eligible for the deduction provided in  
4 subparagraph (M) of paragraph (2) of this subsection  
5 shall not be eligible for the deduction provided under  
6 this subparagraph (O);

7 (P) An amount equal to the amount of the deduction  
8 used to compute the federal income tax credit for  
9 restoration of substantial amounts held under claim of  
10 right for the taxable year pursuant to Section 1341 of  
11 the Internal Revenue Code of 1986;

12 (Q) For taxable year 1999 and thereafter, an amount  
13 equal to the amount of any (i) distributions, to the  
14 extent includible in gross income for federal income  
15 tax purposes, made to the taxpayer because of his or  
16 her status as a victim of persecution for racial or  
17 religious reasons by Nazi Germany or any other Axis  
18 regime or as an heir of the victim and (ii) items of  
19 income, to the extent includible in gross income for  
20 federal income tax purposes, attributable to, derived  
21 from or in any way related to assets stolen from,  
22 hidden from, or otherwise lost to a victim of  
23 persecution for racial or religious reasons by Nazi  
24 Germany or any other Axis regime immediately prior to,  
25 during, and immediately after World War II, including,  
26 but not limited to, interest on the proceeds receivable

1 as insurance under policies issued to a victim of  
2 persecution for racial or religious reasons by Nazi  
3 Germany or any other Axis regime by European insurance  
4 companies immediately prior to and during World War II;  
5 provided, however, this subtraction from federal  
6 adjusted gross income does not apply to assets acquired  
7 with such assets or with the proceeds from the sale of  
8 such assets; provided, further, this paragraph shall  
9 only apply to a taxpayer who was the first recipient of  
10 such assets after their recovery and who is a victim of  
11 persecution for racial or religious reasons by Nazi  
12 Germany or any other Axis regime or as an heir of the  
13 victim. The amount of and the eligibility for any  
14 public assistance, benefit, or similar entitlement is  
15 not affected by the inclusion of items (i) and (ii) of  
16 this paragraph in gross income for federal income tax  
17 purposes. This paragraph is exempt from the provisions  
18 of Section 250;

19 (R) For taxable years 2001 and thereafter, for the  
20 taxable year in which the bonus depreciation deduction  
21 is taken on the taxpayer's federal income tax return  
22 under subsection (k) of Section 168 of the Internal  
23 Revenue Code and for each applicable taxable year  
24 thereafter, an amount equal to "x", where:

25 (1) "y" equals the amount of the depreciation  
26 deduction taken for the taxable year on the

1 taxpayer's federal income tax return on property  
2 for which the bonus depreciation deduction was  
3 taken in any year under subsection (k) of Section  
4 168 of the Internal Revenue Code, but not including  
5 the bonus depreciation deduction;

6 (2) for taxable years ending on or before  
7 December 31, 2005, "x" equals "y" multiplied by 30  
8 and then divided by 70 (or "y" multiplied by  
9 0.429); and

10 (3) for taxable years ending after December  
11 31, 2005:

12 (i) for property on which a bonus  
13 depreciation deduction of 30% of the adjusted  
14 basis was taken, "x" equals "y" multiplied by  
15 30 and then divided by 70 (or "y" multiplied by  
16 0.429); and

17 (ii) for property on which a bonus  
18 depreciation deduction of 50% of the adjusted  
19 basis was taken, "x" equals "y" multiplied by  
20 1.0.

21 The aggregate amount deducted under this  
22 subparagraph in all taxable years for any one piece of  
23 property may not exceed the amount of the bonus  
24 depreciation deduction taken on that property on the  
25 taxpayer's federal income tax return under subsection  
26 (k) of Section 168 of the Internal Revenue Code. This

1           subparagraph (R) is exempt from the provisions of  
2           Section 250;

3           (S) If the taxpayer sells, transfers, abandons, or  
4           otherwise disposes of property for which the taxpayer  
5           was required in any taxable year to make an addition  
6           modification under subparagraph (G-10), then an amount  
7           equal to that addition modification.

8           If the taxpayer continues to own property through  
9           the last day of the last tax year for which the  
10          taxpayer may claim a depreciation deduction for  
11          federal income tax purposes and for which the taxpayer  
12          was required in any taxable year to make an addition  
13          modification under subparagraph (G-10), then an amount  
14          equal to that addition modification.

15          The taxpayer is allowed to take the deduction under  
16          this subparagraph only once with respect to any one  
17          piece of property.

18          This subparagraph (S) is exempt from the  
19          provisions of Section 250;

20          (T) The amount of (i) any interest income (net of  
21          the deductions allocable thereto) taken into account  
22          for the taxable year with respect to a transaction with  
23          a taxpayer that is required to make an addition  
24          modification with respect to such transaction under  
25          Section           203(a)(2)(D-17),           203(b)(2)(E-12),  
26          203(c)(2)(G-12), or 203(d)(2)(D-7), but not to exceed

1 the amount of such addition modification and (ii) any  
2 income from intangible property (net of the deductions  
3 allocable thereto) taken into account for the taxable  
4 year with respect to a transaction with a taxpayer that  
5 is required to make an addition modification with  
6 respect to such transaction under Section  
7 203(a)(2)(D-18), 203(b)(2)(E-13), 203(c)(2)(G-13), or  
8 203(d)(2)(D-8), but not to exceed the amount of such  
9 addition modification. This subparagraph (T) is exempt  
10 from the provisions of Section 250;

11 (U) An amount equal to the interest income taken  
12 into account for the taxable year (net of the  
13 deductions allocable thereto) with respect to  
14 transactions with (i) a foreign person who would be a  
15 member of the taxpayer's unitary business group but for  
16 the fact the foreign person's business activity  
17 outside the United States is 80% or more of that  
18 person's total business activity and (ii) for taxable  
19 years ending on or after December 31, 2008, to a person  
20 who would be a member of the same unitary business  
21 group but for the fact that the person is prohibited  
22 under Section 1501(a)(27) from being included in the  
23 unitary business group because he or she is ordinarily  
24 required to apportion business income under different  
25 subsections of Section 304, but not to exceed the  
26 addition modification required to be made for the same

1 taxable year under Section 203(c)(2)(G-12) for  
2 interest paid, accrued, or incurred, directly or  
3 indirectly, to the same person. This subparagraph (U)  
4 is exempt from the provisions of Section 250; and

5 (V) An amount equal to the income from intangible  
6 property taken into account for the taxable year (net  
7 of the deductions allocable thereto) with respect to  
8 transactions with (i) a foreign person who would be a  
9 member of the taxpayer's unitary business group but for  
10 the fact that the foreign person's business activity  
11 outside the United States is 80% or more of that  
12 person's total business activity and (ii) for taxable  
13 years ending on or after December 31, 2008, to a person  
14 who would be a member of the same unitary business  
15 group but for the fact that the person is prohibited  
16 under Section 1501(a)(27) from being included in the  
17 unitary business group because he or she is ordinarily  
18 required to apportion business income under different  
19 subsections of Section 304, but not to exceed the  
20 addition modification required to be made for the same  
21 taxable year under Section 203(c)(2)(G-13) for  
22 intangible expenses and costs paid, accrued, or  
23 incurred, directly or indirectly, to the same foreign  
24 person. This subparagraph (V) is exempt from the  
25 provisions of Section 250. ~~(W)~~

26 (3) Limitation. The amount of any modification

1 otherwise required under this subsection shall, under  
2 regulations prescribed by the Department, be adjusted by  
3 any amounts included therein which were properly paid,  
4 credited, or required to be distributed, or permanently set  
5 aside for charitable purposes pursuant to Internal Revenue  
6 Code Section 642(c) during the taxable year.

7 (d) Partnerships.

8 (1) In general. In the case of a partnership, base  
9 income means an amount equal to the taxpayer's taxable  
10 income for the taxable year as modified by paragraph (2).

11 (2) Modifications. The taxable income referred to in  
12 paragraph (1) shall be modified by adding thereto the sum  
13 of the following amounts:

14 (A) An amount equal to all amounts paid or accrued  
15 to the taxpayer as interest or dividends during the  
16 taxable year to the extent excluded from gross income  
17 in the computation of taxable income;

18 (B) An amount equal to the amount of tax imposed by  
19 this Act to the extent deducted from gross income for  
20 the taxable year;

21 (C) The amount of deductions allowed to the  
22 partnership pursuant to Section 707 (c) of the Internal  
23 Revenue Code in calculating its taxable income;

24 (D) An amount equal to the amount of the capital  
25 gain deduction allowable under the Internal Revenue

1 Code, to the extent deducted from gross income in the  
2 computation of taxable income;

3 (D-5) For taxable years 2001 and thereafter, an  
4 amount equal to the bonus depreciation deduction taken  
5 on the taxpayer's federal income tax return for the  
6 taxable year under subsection (k) of Section 168 of the  
7 Internal Revenue Code;

8 (D-6) If the taxpayer sells, transfers, abandons,  
9 or otherwise disposes of property for which the  
10 taxpayer was required in any taxable year to make an  
11 addition modification under subparagraph (D-5), then  
12 an amount equal to the aggregate amount of the  
13 deductions taken in all taxable years under  
14 subparagraph (O) with respect to that property.

15 If the taxpayer continues to own property through  
16 the last day of the last tax year for which the  
17 taxpayer may claim a depreciation deduction for  
18 federal income tax purposes and for which the taxpayer  
19 was allowed in any taxable year to make a subtraction  
20 modification under subparagraph (O), then an amount  
21 equal to that subtraction modification.

22 The taxpayer is required to make the addition  
23 modification under this subparagraph only once with  
24 respect to any one piece of property;

25 (D-7) An amount equal to the amount otherwise  
26 allowed as a deduction in computing base income for

1 interest paid, accrued, or incurred, directly or  
2 indirectly, (i) for taxable years ending on or after  
3 December 31, 2004, to a foreign person who would be a  
4 member of the same unitary business group but for the  
5 fact the foreign person's business activity outside  
6 the United States is 80% or more of the foreign  
7 person's total business activity and (ii) for taxable  
8 years ending on or after December 31, 2008, to a person  
9 who would be a member of the same unitary business  
10 group but for the fact that the person is prohibited  
11 under Section 1501(a)(27) from being included in the  
12 unitary business group because he or she is ordinarily  
13 required to apportion business income under different  
14 subsections of Section 304. The addition modification  
15 required by this subparagraph shall be reduced to the  
16 extent that dividends were included in base income of  
17 the unitary group for the same taxable year and  
18 received by the taxpayer or by a member of the  
19 taxpayer's unitary business group (including amounts  
20 included in gross income pursuant to Sections 951  
21 through 964 of the Internal Revenue Code and amounts  
22 included in gross income under Section 78 of the  
23 Internal Revenue Code) with respect to the stock of the  
24 same person to whom the interest was paid, accrued, or  
25 incurred.

26 This paragraph shall not apply to the following:

1 (i) an item of interest paid, accrued, or  
2 incurred, directly or indirectly, to a person who  
3 is subject in a foreign country or state, other  
4 than a state which requires mandatory unitary  
5 reporting, to a tax on or measured by net income  
6 with respect to such interest; or

7 (ii) an item of interest paid, accrued, or  
8 incurred, directly or indirectly, to a person if  
9 the taxpayer can establish, based on a  
10 preponderance of the evidence, both of the  
11 following:

12 (a) the person, during the same taxable  
13 year, paid, accrued, or incurred, the interest  
14 to a person that is not a related member, and

15 (b) the transaction giving rise to the  
16 interest expense between the taxpayer and the  
17 person did not have as a principal purpose the  
18 avoidance of Illinois income tax, and is paid  
19 pursuant to a contract or agreement that  
20 reflects an arm's-length interest rate and  
21 terms; or

22 (iii) the taxpayer can establish, based on  
23 clear and convincing evidence, that the interest  
24 paid, accrued, or incurred relates to a contract or  
25 agreement entered into at arm's-length rates and  
26 terms and the principal purpose for the payment is

1 not federal or Illinois tax avoidance; or

2 (iv) an item of interest paid, accrued, or  
3 incurred, directly or indirectly, to a person if  
4 the taxpayer establishes by clear and convincing  
5 evidence that the adjustments are unreasonable; or  
6 if the taxpayer and the Director agree in writing  
7 to the application or use of an alternative method  
8 of apportionment under Section 304(f).

9 Nothing in this subsection shall preclude the  
10 Director from making any other adjustment  
11 otherwise allowed under Section 404 of this Act for  
12 any tax year beginning after the effective date of  
13 this amendment provided such adjustment is made  
14 pursuant to regulation adopted by the Department  
15 and such regulations provide methods and standards  
16 by which the Department will utilize its authority  
17 under Section 404 of this Act; and

18 (D-8) An amount equal to the amount of intangible  
19 expenses and costs otherwise allowed as a deduction in  
20 computing base income, and that were paid, accrued, or  
21 incurred, directly or indirectly, (i) for taxable  
22 years ending on or after December 31, 2004, to a  
23 foreign person who would be a member of the same  
24 unitary business group but for the fact that the  
25 foreign person's business activity outside the United  
26 States is 80% or more of that person's total business

1 activity and (ii) for taxable years ending on or after  
2 December 31, 2008, to a person who would be a member of  
3 the same unitary business group but for the fact that  
4 the person is prohibited under Section 1501(a)(27)  
5 from being included in the unitary business group  
6 because he or she is ordinarily required to apportion  
7 business income under different subsections of Section  
8 304. The addition modification required by this  
9 subparagraph shall be reduced to the extent that  
10 dividends were included in base income of the unitary  
11 group for the same taxable year and received by the  
12 taxpayer or by a member of the taxpayer's unitary  
13 business group (including amounts included in gross  
14 income pursuant to Sections 951 through 964 of the  
15 Internal Revenue Code and amounts included in gross  
16 income under Section 78 of the Internal Revenue Code)  
17 with respect to the stock of the same person to whom  
18 the intangible expenses and costs were directly or  
19 indirectly paid, incurred or accrued. The preceding  
20 sentence shall not apply to the extent that the same  
21 dividends caused a reduction to the addition  
22 modification required under Section 203(d)(2)(D-7) of  
23 this Act. As used in this subparagraph, the term  
24 "intangible expenses and costs" includes (1) expenses,  
25 losses, and costs for, or related to, the direct or  
26 indirect acquisition, use, maintenance or management,

1 ownership, sale, exchange, or any other disposition of  
2 intangible property; (2) losses incurred, directly or  
3 indirectly, from factoring transactions or discounting  
4 transactions; (3) royalty, patent, technical, and  
5 copyright fees; (4) licensing fees; and (5) other  
6 similar expenses and costs. For purposes of this  
7 subparagraph, "intangible property" includes patents,  
8 patent applications, trade names, trademarks, service  
9 marks, copyrights, mask works, trade secrets, and  
10 similar types of intangible assets;

11 This paragraph shall not apply to the following:

12 (i) any item of intangible expenses or costs  
13 paid, accrued, or incurred, directly or  
14 indirectly, from a transaction with a person who is  
15 subject in a foreign country or state, other than a  
16 state which requires mandatory unitary reporting,  
17 to a tax on or measured by net income with respect  
18 to such item; or

19 (ii) any item of intangible expense or cost  
20 paid, accrued, or incurred, directly or  
21 indirectly, if the taxpayer can establish, based  
22 on a preponderance of the evidence, both of the  
23 following:

24 (a) the person during the same taxable  
25 year paid, accrued, or incurred, the  
26 intangible expense or cost to a person that is

1 not a related member, and

2 (b) the transaction giving rise to the  
3 intangible expense or cost between the  
4 taxpayer and the person did not have as a  
5 principal purpose the avoidance of Illinois  
6 income tax, and is paid pursuant to a contract  
7 or agreement that reflects arm's-length terms;  
8 or

9 (iii) any item of intangible expense or cost  
10 paid, accrued, or incurred, directly or  
11 indirectly, from a transaction with a person if the  
12 taxpayer establishes by clear and convincing  
13 evidence, that the adjustments are unreasonable;  
14 or if the taxpayer and the Director agree in  
15 writing to the application or use of an alternative  
16 method of apportionment under Section 304(f);

17 Nothing in this subsection shall preclude the  
18 Director from making any other adjustment  
19 otherwise allowed under Section 404 of this Act for  
20 any tax year beginning after the effective date of  
21 this amendment provided such adjustment is made  
22 pursuant to regulation adopted by the Department  
23 and such regulations provide methods and standards  
24 by which the Department will utilize its authority  
25 under Section 404 of this Act;

26 (D-9) For taxable years ending on or after December

1 31, 2008, an amount equal to the amount of insurance  
2 premium expenses and costs otherwise allowed as a  
3 deduction in computing base income, and that were paid,  
4 accrued, or incurred, directly or indirectly, to a  
5 person who would be a member of the same unitary  
6 business group but for the fact that the person is  
7 prohibited under Section 1501(a)(27) from being  
8 included in the unitary business group because he or  
9 she is ordinarily required to apportion business  
10 income under different subsections of Section 304. The  
11 addition modification required by this subparagraph  
12 shall be reduced to the extent that dividends were  
13 included in base income of the unitary group for the  
14 same taxable year and received by the taxpayer or by a  
15 member of the taxpayer's unitary business group  
16 (including amounts included in gross income under  
17 Sections 951 through 964 of the Internal Revenue Code  
18 and amounts included in gross income under Section 78  
19 of the Internal Revenue Code) with respect to the stock  
20 of the same person to whom the premiums and costs were  
21 directly or indirectly paid, incurred, or accrued. The  
22 preceding sentence does not apply to the extent that  
23 the same dividends caused a reduction to the addition  
24 modification required under Section 203(d)(2)(D-7) or  
25 Section 203(d)(2)(D-8) of this Act.

26 and by deducting from the total so obtained the following

1 amounts:

2 (E) The valuation limitation amount;

3 (F) An amount equal to the amount of any tax  
4 imposed by this Act which was refunded to the taxpayer  
5 and included in such total for the taxable year;

6 (G) An amount equal to all amounts included in  
7 taxable income as modified by subparagraphs (A), (B),  
8 (C) and (D) which are exempt from taxation by this  
9 State either by reason of its statutes or Constitution  
10 or by reason of the Constitution, treaties or statutes  
11 of the United States; provided that, in the case of any  
12 statute of this State that exempts income derived from  
13 bonds or other obligations from the tax imposed under  
14 this Act, the amount exempted shall be the interest net  
15 of bond premium amortization;

16 (H) Any income of the partnership which  
17 constitutes personal service income as defined in  
18 Section 1348 (b) (1) of the Internal Revenue Code (as  
19 in effect December 31, 1981) or a reasonable allowance  
20 for compensation paid or accrued for services rendered  
21 by partners to the partnership, whichever is greater;

22 (I) An amount equal to all amounts of income  
23 distributable to an entity subject to the Personal  
24 Property Tax Replacement Income Tax imposed by  
25 subsections (c) and (d) of Section 201 of this Act  
26 including amounts distributable to organizations

1 exempt from federal income tax by reason of Section  
2 501(a) of the Internal Revenue Code;

3 (J) With the exception of any amounts subtracted  
4 under subparagraph (G), an amount equal to the sum of  
5 all amounts disallowed as deductions by (i) Sections  
6 171(a) (2), and 265(2) of the Internal Revenue Code of  
7 1954, as now or hereafter amended, and all amounts of  
8 expenses allocable to interest and disallowed as  
9 deductions by Section 265(1) of the Internal Revenue  
10 Code, as now or hereafter amended; and (ii) for taxable  
11 years ending on or after August 13, 1999, Sections  
12 171(a) (2), 265, 280C, and 832(b) (5) (B) (i) of the  
13 Internal Revenue Code; the provisions of this  
14 subparagraph are exempt from the provisions of Section  
15 250;

16 (K) An amount equal to those dividends included in  
17 such total which were paid by a corporation which  
18 conducts business operations in an Enterprise Zone or  
19 zones created under the Illinois Enterprise Zone Act,  
20 enacted by the 82nd General Assembly, or a River Edge  
21 Redevelopment Zone or zones created under the River  
22 Edge Redevelopment Zone Act and conducts substantially  
23 all of its operations in an Enterprise Zone or Zones or  
24 from a River Edge Redevelopment Zone or zones. This  
25 subparagraph (K) is exempt from the provisions of  
26 Section 250;

1           (K-5) The amount of any contribution certified by  
2           the Department and made by the taxpayer during the  
3           taxable year under Section 11 of the Advanced Sciences  
4           Zone Act. This subparagraph (K-5) is exempt from the  
5           provisions of Section 250;

6           (L) An amount equal to any contribution made to a  
7           job training project established pursuant to the Real  
8           Property Tax Increment Allocation Redevelopment Act;

9           (M) An amount equal to those dividends included in  
10          such total that were paid by a corporation that  
11          conducts business operations in a federally designated  
12          Foreign Trade Zone or Sub-Zone and that is designated a  
13          High Impact Business located in Illinois; provided  
14          that dividends eligible for the deduction provided in  
15          subparagraph (K) of paragraph (2) of this subsection  
16          shall not be eligible for the deduction provided under  
17          this subparagraph (M);

18          (N) An amount equal to the amount of the deduction  
19          used to compute the federal income tax credit for  
20          restoration of substantial amounts held under claim of  
21          right for the taxable year pursuant to Section 1341 of  
22          the Internal Revenue Code of 1986;

23          (O) For taxable years 2001 and thereafter, for the  
24          taxable year in which the bonus depreciation deduction  
25          is taken on the taxpayer's federal income tax return  
26          under subsection (k) of Section 168 of the Internal

1 Revenue Code and for each applicable taxable year  
2 thereafter, an amount equal to "x", where:

3 (1) "y" equals the amount of the depreciation  
4 deduction taken for the taxable year on the  
5 taxpayer's federal income tax return on property  
6 for which the bonus depreciation deduction was  
7 taken in any year under subsection (k) of Section  
8 168 of the Internal Revenue Code, but not including  
9 the bonus depreciation deduction;

10 (2) for taxable years ending on or before  
11 December 31, 2005, "x" equals "y" multiplied by 30  
12 and then divided by 70 (or "y" multiplied by  
13 0.429); and

14 (3) for taxable years ending after December  
15 31, 2005:

16 (i) for property on which a bonus  
17 depreciation deduction of 30% of the adjusted  
18 basis was taken, "x" equals "y" multiplied by  
19 30 and then divided by 70 (or "y" multiplied by  
20 0.429); and

21 (ii) for property on which a bonus  
22 depreciation deduction of 50% of the adjusted  
23 basis was taken, "x" equals "y" multiplied by  
24 1.0.

25 The aggregate amount deducted under this  
26 subparagraph in all taxable years for any one piece of

1 property may not exceed the amount of the bonus  
2 depreciation deduction taken on that property on the  
3 taxpayer's federal income tax return under subsection  
4 (k) of Section 168 of the Internal Revenue Code. This  
5 subparagraph (O) is exempt from the provisions of  
6 Section 250;

7 (P) If the taxpayer sells, transfers, abandons, or  
8 otherwise disposes of property for which the taxpayer  
9 was required in any taxable year to make an addition  
10 modification under subparagraph (D-5), then an amount  
11 equal to that addition modification.

12 If the taxpayer continues to own property through  
13 the last day of the last tax year for which the  
14 taxpayer may claim a depreciation deduction for  
15 federal income tax purposes and for which the taxpayer  
16 was required in any taxable year to make an addition  
17 modification under subparagraph (D-5), then an amount  
18 equal to that addition modification.

19 The taxpayer is allowed to take the deduction under  
20 this subparagraph only once with respect to any one  
21 piece of property.

22 This subparagraph (P) is exempt from the  
23 provisions of Section 250;

24 (Q) The amount of (i) any interest income (net of  
25 the deductions allocable thereto) taken into account  
26 for the taxable year with respect to a transaction with

1 a taxpayer that is required to make an addition  
2 modification with respect to such transaction under  
3 Section 203(a)(2)(D-17), 203(b)(2)(E-12),  
4 203(c)(2)(G-12), or 203(d)(2)(D-7), but not to exceed  
5 the amount of such addition modification and (ii) any  
6 income from intangible property (net of the deductions  
7 allocable thereto) taken into account for the taxable  
8 year with respect to a transaction with a taxpayer that  
9 is required to make an addition modification with  
10 respect to such transaction under Section  
11 203(a)(2)(D-18), 203(b)(2)(E-13), 203(c)(2)(G-13), or  
12 203(d)(2)(D-8), but not to exceed the amount of such  
13 addition modification. This subparagraph (Q) is exempt  
14 from Section 250;

15 (R) An amount equal to the interest income taken  
16 into account for the taxable year (net of the  
17 deductions allocable thereto) with respect to  
18 transactions with (i) a foreign person who would be a  
19 member of the taxpayer's unitary business group but for  
20 the fact that the foreign person's business activity  
21 outside the United States is 80% or more of that  
22 person's total business activity and (ii) for taxable  
23 years ending on or after December 31, 2008, to a person  
24 who would be a member of the same unitary business  
25 group but for the fact that the person is prohibited  
26 under Section 1501(a)(27) from being included in the

1 unitary business group because he or she is ordinarily  
2 required to apportion business income under different  
3 subsections of Section 304, but not to exceed the  
4 addition modification required to be made for the same  
5 taxable year under Section 203(d)(2)(D-7) for interest  
6 paid, accrued, or incurred, directly or indirectly, to  
7 the same person. This subparagraph (R) is exempt from  
8 Section 250; and

9 (S) An amount equal to the income from intangible  
10 property taken into account for the taxable year (net  
11 of the deductions allocable thereto) with respect to  
12 transactions with (i) a foreign person who would be a  
13 member of the taxpayer's unitary business group but for  
14 the fact that the foreign person's business activity  
15 outside the United States is 80% or more of that  
16 person's total business activity and (ii) for taxable  
17 years ending on or after December 31, 2008, to a person  
18 who would be a member of the same unitary business  
19 group but for the fact that the person is prohibited  
20 under Section 1501(a)(27) from being included in the  
21 unitary business group because he or she is ordinarily  
22 required to apportion business income under different  
23 subsections of Section 304, but not to exceed the  
24 addition modification required to be made for the same  
25 taxable year under Section 203(d)(2)(D-8) for  
26 intangible expenses and costs paid, accrued, or

1 incurred, directly or indirectly, to the same person.

2 This subparagraph (S) is exempt from Section 250. ~~(T)~~

3 (e) Gross income; adjusted gross income; taxable income.

4 (1) In general. Subject to the provisions of paragraph  
5 (2) and subsection (b) (3), for purposes of this Section  
6 and Section 803(e), a taxpayer's gross income, adjusted  
7 gross income, or taxable income for the taxable year shall  
8 mean the amount of gross income, adjusted gross income or  
9 taxable income properly reportable for federal income tax  
10 purposes for the taxable year under the provisions of the  
11 Internal Revenue Code. Taxable income may be less than  
12 zero. However, for taxable years ending on or after  
13 December 31, 1986, net operating loss carryforwards from  
14 taxable years ending prior to December 31, 1986, may not  
15 exceed the sum of federal taxable income for the taxable  
16 year before net operating loss deduction, plus the excess  
17 of addition modifications over subtraction modifications  
18 for the taxable year. For taxable years ending prior to  
19 December 31, 1986, taxable income may never be an amount in  
20 excess of the net operating loss for the taxable year as  
21 defined in subsections (c) and (d) of Section 172 of the  
22 Internal Revenue Code, provided that when taxable income of  
23 a corporation (other than a Subchapter S corporation),  
24 trust, or estate is less than zero and addition  
25 modifications, other than those provided by subparagraph

1 (E) of paragraph (2) of subsection (b) for corporations or  
2 subparagraph (E) of paragraph (2) of subsection (c) for  
3 trusts and estates, exceed subtraction modifications, an  
4 addition modification must be made under those  
5 subparagraphs for any other taxable year to which the  
6 taxable income less than zero (net operating loss) is  
7 applied under Section 172 of the Internal Revenue Code or  
8 under subparagraph (E) of paragraph (2) of this subsection  
9 (e) applied in conjunction with Section 172 of the Internal  
10 Revenue Code.

11 (2) Special rule. For purposes of paragraph (1) of this  
12 subsection, the taxable income properly reportable for  
13 federal income tax purposes shall mean:

14 (A) Certain life insurance companies. In the case  
15 of a life insurance company subject to the tax imposed  
16 by Section 801 of the Internal Revenue Code, life  
17 insurance company taxable income, plus the amount of  
18 distribution from pre-1984 policyholder surplus  
19 accounts as calculated under Section 815a of the  
20 Internal Revenue Code;

21 (B) Certain other insurance companies. In the case  
22 of mutual insurance companies subject to the tax  
23 imposed by Section 831 of the Internal Revenue Code,  
24 insurance company taxable income;

25 (C) Regulated investment companies. In the case of  
26 a regulated investment company subject to the tax

1 imposed by Section 852 of the Internal Revenue Code,  
2 investment company taxable income;

3 (D) Real estate investment trusts. In the case of a  
4 real estate investment trust subject to the tax imposed  
5 by Section 857 of the Internal Revenue Code, real  
6 estate investment trust taxable income;

7 (E) Consolidated corporations. In the case of a  
8 corporation which is a member of an affiliated group of  
9 corporations filing a consolidated income tax return  
10 for the taxable year for federal income tax purposes,  
11 taxable income determined as if such corporation had  
12 filed a separate return for federal income tax purposes  
13 for the taxable year and each preceding taxable year  
14 for which it was a member of an affiliated group. For  
15 purposes of this subparagraph, the taxpayer's separate  
16 taxable income shall be determined as if the election  
17 provided by Section 243(b) (2) of the Internal Revenue  
18 Code had been in effect for all such years;

19 (F) Cooperatives. In the case of a cooperative  
20 corporation or association, the taxable income of such  
21 organization determined in accordance with the  
22 provisions of Section 1381 through 1388 of the Internal  
23 Revenue Code;

24 (G) Subchapter S corporations. In the case of: (i)  
25 a Subchapter S corporation for which there is in effect  
26 an election for the taxable year under Section 1362 of

1 the Internal Revenue Code, the taxable income of such  
2 corporation determined in accordance with Section  
3 1363(b) of the Internal Revenue Code, except that  
4 taxable income shall take into account those items  
5 which are required by Section 1363(b)(1) of the  
6 Internal Revenue Code to be separately stated; and (ii)  
7 a Subchapter S corporation for which there is in effect  
8 a federal election to opt out of the provisions of the  
9 Subchapter S Revision Act of 1982 and have applied  
10 instead the prior federal Subchapter S rules as in  
11 effect on July 1, 1982, the taxable income of such  
12 corporation determined in accordance with the federal  
13 Subchapter S rules as in effect on July 1, 1982; and

14 (H) Partnerships. In the case of a partnership,  
15 taxable income determined in accordance with Section  
16 703 of the Internal Revenue Code, except that taxable  
17 income shall take into account those items which are  
18 required by Section 703(a)(1) to be separately stated  
19 but which would be taken into account by an individual  
20 in calculating his taxable income.

21 (3) Recapture of business expenses on disposition of  
22 asset or business. Notwithstanding any other law to the  
23 contrary, if in prior years income from an asset or  
24 business has been classified as business income and in a  
25 later year is demonstrated to be non-business income, then  
26 all expenses, without limitation, deducted in such later

1 year and in the 2 immediately preceding taxable years  
2 related to that asset or business that generated the  
3 non-business income shall be added back and recaptured as  
4 business income in the year of the disposition of the asset  
5 or business. Such amount shall be apportioned to Illinois  
6 using the greater of the apportionment fraction computed  
7 for the business under Section 304 of this Act for the  
8 taxable year or the average of the apportionment fractions  
9 computed for the business under Section 304 of this Act for  
10 the taxable year and for the 2 immediately preceding  
11 taxable years.

12 (f) Valuation limitation amount.

13 (1) In general. The valuation limitation amount  
14 referred to in subsections (a) (2) (G), (c) (2) (I) and  
15 (d) (2) (E) is an amount equal to:

16 (A) The sum of the pre-August 1, 1969 appreciation  
17 amounts (to the extent consisting of gain reportable  
18 under the provisions of Section 1245 or 1250 of the  
19 Internal Revenue Code) for all property in respect of  
20 which such gain was reported for the taxable year; plus

21 (B) The lesser of (i) the sum of the pre-August 1,  
22 1969 appreciation amounts (to the extent consisting of  
23 capital gain) for all property in respect of which such  
24 gain was reported for federal income tax purposes for  
25 the taxable year, or (ii) the net capital gain for the

1 taxable year, reduced in either case by any amount of  
2 such gain included in the amount determined under  
3 subsection (a) (2) (F) or (c) (2) (H).

4 (2) Pre-August 1, 1969 appreciation amount.

5 (A) If the fair market value of property referred  
6 to in paragraph (1) was readily ascertainable on August  
7 1, 1969, the pre-August 1, 1969 appreciation amount for  
8 such property is the lesser of (i) the excess of such  
9 fair market value over the taxpayer's basis (for  
10 determining gain) for such property on that date  
11 (determined under the Internal Revenue Code as in  
12 effect on that date), or (ii) the total gain realized  
13 and reportable for federal income tax purposes in  
14 respect of the sale, exchange or other disposition of  
15 such property.

16 (B) If the fair market value of property referred  
17 to in paragraph (1) was not readily ascertainable on  
18 August 1, 1969, the pre-August 1, 1969 appreciation  
19 amount for such property is that amount which bears the  
20 same ratio to the total gain reported in respect of the  
21 property for federal income tax purposes for the  
22 taxable year, as the number of full calendar months in  
23 that part of the taxpayer's holding period for the  
24 property ending July 31, 1969 bears to the number of  
25 full calendar months in the taxpayer's entire holding  
26 period for the property.

1           (C)     The     Department     shall     prescribe     such  
2           regulations     as     may     be     necessary     to     carry     out     the  
3           purposes     of     this     paragraph.

4           (g)     Double     deductions.     Unless     specifically     provided  
5           otherwise,     nothing     in     this     Section     shall     permit     the     same     item  
6           to     be     deducted     more     than     once.

7           (h)     Legislative     intention.     Except     as     expressly     provided     by  
8           this     Section     there     shall     be     no     modifications     or     limitations     on  
9           the     amounts     of     income,     gain,     loss     or     deduction     taken     into  
10          account     in     determining     gross     income,     adjusted     gross     income     or  
11          taxable     income     for     federal     income     tax     purposes     for     the     taxable  
12          year,     or     in     the     amount     of     such     items     entering     into     the  
13          computation     of     base     income     and     net     income     under     this     Act     for  
14          such     taxable     year,     whether     in     respect     of     property     values     as     of  
15          August     1,     1969     or     otherwise.

16          (Source:     P.A.     94-776,     eff.     5-19-06;     94-789,     eff.     5-19-06;  
17          94-1021,     eff.     7-12-06;     94-1074,     eff.     12-26-06;     95-23,     eff.  
18          8-3-07;     95-233,     eff.     8-16-07;     95-286,     eff.     8-20-07;     95-331,  
19          eff.     8-21-07;     95-707,     eff.     1-11-08;     95-876,     eff.     8-21-08;  
20          revised     10-15-08.)

21                 (35 ILCS 5/218 new)

22                 Sec. 218. Advanced Sciences Zone credit.

23                 (a) For taxable years ending after December 31, 2009, each

1 a taxpayer who has been awarded a tax credit under Sections 13  
2 or 14 of the Advanced Sciences Zone Act is entitled to a credit  
3 against the taxes imposed under subsections (a) and (b) of  
4 Section 201 of this Act in an amount determined by the  
5 Department of Commerce and Economic Opportunity under that Act.

6 (b) If the taxpayer is a partnership or Subchapter S  
7 corporation, the credit is allowed to the partners or  
8 shareholders in accordance with the determination of income and  
9 distributive share of income under Sections 702 and 704 and  
10 Subchapter S of the Internal Revenue Code.

11 (c) The credit may be carried forward or back as set forth  
12 under Sections 13 or 14 of the Advanced Sciences Zone Act.

13 (d) This Section is exempt from the provisions of Section  
14 250 of this Act.

15 Section 999. Effective date. This Act takes effect upon  
16 becoming law.